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Education Committee
February 22, 2010

[LB1034 LB1058 LB1072 LB1082 LR299CA]

The Committee on Education met at 1:30 p.m. on Monday, February 22, 2010, in Room 1525 of the State Capitol, Lincoln, Nebraska, for the purpose of conducting a public hearing on LB1034, LB1058, LB1082, LB1072, and LR299CA. Senators present: Greg Adams, Chairperson; Gwen Howard, Vice Chairperson; Brad Ashford; Bill Avery; Abbie Cornett; Robert Giese; Ken Haar; and Kate Sullivan. Senators absent: None. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ADAMS: Begin this hearing--the Education Committee. We're going to be hearing today LB1034, introduced by Senator Cook; LB1058 by Senator Howard; LB1082, Senator Cornett; I'll be introducing LB1072; and LR299CA, introduced by Senator Ashford. Because of prior agreements of both sides of this issue, we're going to structure the hearing a bit out of the ordinary. And the way that we're going to run it today is this: We're going to begin by first of all having each introducer--and we'll start with the good Senator Cook; and then I'll go; and we'll go right on down the line to each introduce their bill before we allow any testimony. Once all bills are introduced, then we'll go over to testimony. And this will be a little tricky, so you're going to have to be patient with us. We will start with a 20-minute block of testimony from the community college association on any or all of the bills. When they're done, we'll switch over to a 20-minute block of those representatives of Metro to testify on any or all of the bills. Then we will switch back over to the association for 25 minutes, and then we will switch back to Metro for 25 and conclude the hearing at that point. We'll take neutral testimony, if there is any, at the conclusion of that. And then the senators introducing bills today have agreed there will be no closings. All right? Now, in light of all of that, of course, you'll still need to register; and we have forms at the back of the room for you to register. And if you'll notice when you see the form, it will indicate we need to have your name and that kind of information. It lists all the bills; and if you will circle whether you are speaking as a proponent or an opponent on those bills, that will help us in our recordkeeping. And when you come to the microphone, please state your name, spell your name for the record, and then indicate to us whether you are a proponent--and of which bill--or an opponent--of which bills--or if you are neutral. Now I would ask you, that you turn your cell phones off if you've got them on so that there's no interruption to what happens here today. And let me introduce the committee to you. First, and probably most importantly, is our committee clerk over here, Becki Collins. She's the gal you need to turn those registration sheets in to, and she's going to run the clock up here on the lights--five minutes; that's what you get--five minutes when you're up here. And obviously questions may run beyond that after you've concluded your testimony. Senator Ashford will be here in just a little bit; sitting next to him, Senator Giese from South Sioux City; Senator Cornett from Bellevue; the committee's research analyst, Kris Valentin. I'm Greg Adams representing the 24th District. Next to me is the Vice Chair, Senator Howard; next to her, Senator Sullivan from Cedar Rapids; Senator Avery from Lincoln; and Senator Haar from Malcolm. With that, if we all are understanding how this

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is going to go today, let's let it begin. Senator Cook, you are free to open. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR COOK: Why, thank you very much. Thank you, Chairman Adams and members of the committee. My name is Tanya Cook; that's spelled T-a-n-y-a C-o-o-k. I am the Nebraska state senator representing Legislative District 13. Today I appear before the committee as the introducer of LB1034. The purpose of LB1034 is to amend the Community College Foundation and Equalization Aid Act to include a clear statutory definition for tuition and fees. As you all know, last year I introduced LB340; that bill passed unanimously. That bill declared an emergency that still exists. LB340 mandated that the Postsecondary Coordinating Commission study specific issues targeted by this committee to address a serious breakdown with the governance and funding of Nebraska's community colleges. The findings of the Coordinating Commission show that there are still real and perceived concerns about the equitable nature of the community college funding formula. The LB340 study set out to target specific items of concern. Issues--we'll just call them issues--arose in the midst of the study that necessitate the introductions of this bill. The issue is the need for a clear, concise definition of tuition and fees in state statute. Here is why I introduced the bill: Simply, the current statute does not have a clear definition for this key component of the funding formula. The lack of a clear definition is a key factor leading to a lawsuit currently working its way through the courts. The LB340 study identified the lack of a clear definition of tuition and fees as a serious shortcoming in the current funding formula. Additionally, conversations with Chairman Adams have made it clear to me that defining tuition and fees in statute is a consensus item, a rare occurrence in this often acrimonious dilemma. As a result, I'm sure that defining tuition and fees in statute will be a key component of reforms advanced from this committee. And my call to the committee is this: First, that the definition included in statute allow for the subtraction of capital construction projects from gross tuition. LB1034 does this. Additionally, LB1034 would direct that funds transferred to a capital construction account be used for capital construction projects. Finally, LB1034 directs Nebraska community colleges to follow generally accepted accounting principles. The clear and concise definition of tuition and fees that LB1034 provides will prevent confusion, gamesmanship, and the possibility of a governing association--of which the largest community college of the state is not currently a member--from enacting a definition on its own. Continuing to allow a major component of the community college funding formula that is open to interpretation will continue to allow confusion and invite conflict. Admittedly, LB1034 does not solve the whole puzzle that is community college discord. It is my earnest belief, however, that this component, a consensus item, will bring an ounce of stability to our community college system. Thank you, Education Committee, for your sincere devotion to the citizens of this state, our constituents that rely on our various community colleges. They depend on our community colleges to provide them a means to better themselves. Again I want to thank the committee for their serious consideration of LB1034 and thank them for their consideration of the bill in its current form and alternatively as a possible

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amendment to what the committee might put forward as a bill addressing the community college issues this year. Thank you. I would gladly accept any questions at this time. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ADAMS: Thank you, Senator Cook. Let's begin. Are there questions for this senator? Senator Avery. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR AVERY: Thank you, Mr. Chair. Welcome, Senator Cook. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR COOK: Thank you. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR AVERY: You mentioned issues. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR COOK: Issues. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR AVERY: And I presume that you don't want to talk about the issues. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR COOK: No, not necessarily at this time. I'm hoping that by introducing the bill, that we can address one of the things that we all agree upon can be--as an issue--and can be addressed statutorily right away. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR AVERY: I think I can guess. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR COOK: Okay. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR AVERY: But I...you do state, though, that the tuition and fees would be defined on a fiscal-year basis as tuition and fees... [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR COOK: Yes. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR AVERY: ...subtracting out refunds and general--whatever needs to be subtracted out to create a net--right?--tuition and fees. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR COOK: Correct. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR AVERY: All right. And then that would be used to fund state aid activities? [LB1034 LB1058 LB1082 LB1072 LR299CA]

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SENATOR COOK: That would be used as the number plugged into the formula where the number for tuition and fees goes... [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR AVERY: Okay. So that... [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR COOK: ...to use a very scientific way of describing the formula. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR AVERY: General fund activities. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR COOK: Absolutely. Yes, sir. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR AVERY: Yeah. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR COOK: Toward the almost \$90 million that we get from the state. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR AVERY: And capital expenses would be reserved for capital expenditures. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR COOK: Yes, sir. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR AVERY: It could not be used to calculate tuition and fees for need, right? [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR COOK: According to this proposal, no. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR AVERY: Okay. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ADAMS: Other questions for the senator? [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR AVERY: Without mentioning the issue, I think I get it. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR COOK: Let's not. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ADAMS: I'm sorry. Are there other questions for Senator...? If not, thank you, then. [LB1034 LB1058 LB1082 LB1072 LR299CA]

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SENATOR COOK: Thank you very much. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR HOWARD: Chairman Adams, welcome to the Education Committee.
[LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ADAMS: Thank you, Senator. And I'll be introducing LB1072. Greg Adams, A-d-a-m-s, representing the 24th Legislative District. Let me begin this introduction by digressing just a little bit, although there's a whole lot to this story I could tell you if you had more time. In my opinion, we are at a point right now, and will continue to be, where our community colleges in the state of Nebraska are going to be serving an ever more important role. It is not satisfactory to think that a student can leave their K-12 education and that would probably be enough. They need more. And whether it is vocational-technical training, whether it is a four-year degree, our community colleges are becoming ever more important as the conduit--whether it's cost, whether it's the first-generation student to go to college--to help add to that student's resume and make them more employable and more productive. They're more critical than ever. Yet it's unfortunate that at a time when they should be getting a lot of positive press, the press has been negative. And it's been negative because of the fight over money and a fight that doesn't seem to want to go away. I think everybody on this committee knows and some of you that have been on the committee even longer understand that this has been a long and arduous task working on this funding formula. As a matter of fact, I'll be so bold as to say there have been times when I've thought to myself it's easier to get 253 school districts to understand changes in TEEOSA and go along with it than it is to get six community colleges to go along with changes. In an effort to try to bring this to some conclusion, to find some reconciliation, to try to get community colleges back on the front pages for the good work that they're doing rather than a fight over aid, I've tried very hard, maybe not hard enough, to try to listen to the concerns, to look at the formula, and try to make changes to make that formula better. And you all know, because you've all worked with formulas, the day of perfection does not exist. There's always something more that can be looked at. There's always new issues that get raised that cause us to say: We'd better take a look at that. What I'm offering you today in LB1072: attempts to address some of the issues. Is it over? No. Are there more things to look at? Of course. Is the formula perfect? No. Do the needs in this formula reflect everything that needs to be reflected? If TEEOSA is any example--as colleges change and students change and the requirements on schools change--probably not; we'll be looking at it over and over again. Let me highlight for you what's in LB1072. One of the first things we look at in this bill is some amending language to the mission of community colleges. For one thing, there is language in LB1072 that encourages the community colleges to work with K-12 in helping bridge that gap into higher ed: dual-credit courses, remediation, transfer credit, the things that they're probably doing already; this just puts it into statute--recognizing the importance of developing job skills and, in addition, requiring the community colleges to develop and to implement best practices for foundation education. The Coordinating Commission and its role based on

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what this bill would do: The Coordinating Commission would develop measurable indicators for evaluating the community colleges. We evaluate K-12 schools. For all of higher ed, not just community colleges, it's time, within our P-16 environment, we start to evaluate higher ed. And the Coordinating Commission would do that for community colleges. A critical point: The Coordinating Commission would be the developer of the auditing guidelines and the data collection that will be run in a formula--therein lies a good share of our problem, I believe, this last time around: there was no real gatekeeper--and develop and promulgate the rules and regs that will go along with that data collection. In this particular bill we ask that the Coordinating Commission also assign courses to the six categories of REUs, as described in the LB340 study, and conduct ongoing re-evaluation of those courses and the REUs to make sure things are fitting properly. Also in this bill there is language that says that a community college does not have to be a member of the community college association. Reimbursable educational units we would...this bill mirrors what the LB340 study says. And we would take and create six program strands, each one of those program strands carrying a different weighting. And we would take courses that are being offered--the community colleges and the Coordinating Commission in concert would evaluate those courses and decide which one of those program strands they belong in for weighting and continue to re-evaluate those on a four-year basis. Formula changes: I described to you with my buckets the other day on the white board the various proportions of need. This particular bill would reallocate some of the needs calculation: 20 percent to foundation need, divided by the six community colleges; 20 percent to a three-year-average FTE, which puts--unlike the current formula, we would take a look more in one part of it at FTEs rather than just REUs; and then finally we would reduce from 70 percent to 60 percent the weighting on three-year-average REUs. It's also necessary, in my opinion, that we slow down the growth factor that's in this formula. If we continue to allow needs to grow at the current 3 percent, then property taxes will have to climb too much, I believe. Like every other institution in this state that is having to slow down its spending, I believe the community colleges need to slow down their spending as well. I realize this is a time during a recession when they have a lot of people knocking at the door. But we have asked every institution, every agency of state government, all of our K-12 schools to turn over every rock and find savings. The community colleges would need to do the same. Tuition and fees: What I have said in here--I took a simpler definition. I've simply said tuition and fees would be the gross tuition and fees collected--90 percent of that, less the refunds. We don't have to mess with scholarships; we don't have to mess with capital transfers; we just give them that 10 percent window of the tuition and fees, rather than the full 100 percent. We would use current-year valuations to determine their local-effort rate on tax valuations. We believe that we can do that; we've worked with the Revenue Department, and it'll be tight, but in conjunction with them we think that we can do that. We have currently a local-effort rate for property tax. This bill has a local-effort rate for tuition, which in effect then says that once we establish the local-effort rate for tuition, if a college has a need to raise tuition and other programs over that local-effort rate, it doesn't penalize them, because we hold them to the local-effort rate. At the same

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time, when we talk about gaming, if somebody wants to low-ball all of their tuition so that it's not accountable in the formula, this says: No, we're going to hold you at this level. We also make an adjustment for what happened during the special session--the reduction in aid. And quite simply, what we do is we reduce the needs, just like we do in TEEOSA--when we have to have a cut, we reduce the needs side. We would do that in this formula. And we would reduce the needs by a proportionate amount for each of the community colleges. That's an outline of the bill. Does it solve all the problems? I doubt it--any more than every time that we dig in to TEEOSA do we find 253 happy school districts. Does it get us closer to where we need to be? I think so. In conclusion I would say this: As a result of this exercise, working with community college formula for 12 to 15 months, I think that, on the positive side, we as a committee and I have gained and I would think the colleges would have gained a better understanding of equalization and its importance to the state in the way that we distribute aid. We can certainly recognize that there may be weaknesses in the formula that need to be addressed. I think we have a better picture--whether we think it's a positive picture or a negative one--we have a better picture of the role of the community colleges and their governance structure as a result of all of this. And I think there's one--at least one--other positive. And I'll be perfectly candid with you. I have been meeting weekly for several hours each week with Walt Radcliffe, who represents Metro, and with Dennis Baack, representing the other community colleges, to see if we can find some common ground to move this forward. And I will tell you, in my opinion, we have taken tiny steps, but we have made some progress. Whatever happens here, whatever happens in exec session, I would plan to continue to meet with those gentlemen to see if still there isn't more that we can find common ground on. With that, Senator, I will end my introduction. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR HOWARD: Thank you, Chairman Adams. Do we have questions? Yes. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR SULLIVAN: Thank you, Senator Howard. Thank you, Senator Adams. Is it fair to say that this bill that you're presenting is an outgrowth of the recommendations from LB340 study? [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ADAMS: A big chunk of it is, yes. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR SULLIVAN: Okay. And you mentioned that the commission could ultimately be charged with the responsibility for evaluating community colleges? [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ADAMS: Yes. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR SULLIVAN: Is it fair to say that eventually that might extend over to other

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institutions of higher ed? [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ADAMS: I think the day is coming, in this state like in every other state, that as we look at P-16, that, yes. Just like we talked the other day about sharing data so that we can see what's going on at the higher-ed level, I think that opens the discussion about what kind of results do we see from higher ed. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR SULLIVAN: Okay. Would you define for me what foundation education is in the context...? [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ADAMS: We're looking at the, really, the base need... [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR SULLIVAN: Okay. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ADAMS: ...the cost to open the doors, to get things going. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR SULLIVAN: Okay. All right. Thank you. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR HOWARD: Do we have any other questions? Yes, Senator Avery. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR AVERY: Thank you. Senator Adams, I'm interested in the Section 9 that deals with the community college. It's kind of an oversight role that I think you're asking the Coordinating Commission to take on. Who is going to be--I hate to say it this way--who is going to check on the work that the Coordinating Commission is doing? And will they report to this committee? [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ADAMS: They could report to this committee, but beyond that, Senator Avery--you, a person who wants to restructure higher ed and minimize different levels--I have every confidence in working with Dr. Hill and his group that they can do a good job of this and do it in a very objective way. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR AVERY: And this would be additional task... [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ADAMS: Yes, it would. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR AVERY: ...they would be taking on? [LB1034 LB1058 LB1082 LB1072 LR299CA]

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SENATOR ADAMS: Yes, it would. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR AVERY: Not replacing anything? [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ADAMS: No. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR AVERY: Okay. Thank you. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR HOWARD: Do we have any other questions? I don't see any. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ADAMS: Who's up next? [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR HOWARD: I think I am. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ADAMS: Okay. Go ahead. Senator Howard, welcome. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR HOWARD: To the Education Committee. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ADAMS: To the Education--educated committee. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR HOWARD: Thank you, Chairman Adams. Thank you, Chairman Adams and members of the committee. For the record, I am Senator Gwen Howard, and I represent District 9. The purpose of LB1058 is to look at how community college funding is determined. Currently, reimbursable educational units--these are abbreviated to be known as REUs--are a factor in determining state aid to community colleges. LB1058 would replace REUs with full-time-equivalent students. Other people who are here to testify will be able to give more complete information regarding the intricacies of this issue, but I can give you a few quick facts. REUs were originally used as a factor in aid determinations to address the fact that some classes are more expensive to offer than others. In other words, a class in fire science requires more equipment than a class in political science. However, REUs have proven to be an insufficient method of determining aid because they fail to address significant costs to community colleges in terms of remedial and developmental classes, the need for tutors, smaller classes, and the fact that a student may take three partial classes over the course of a year to get credit for just one class. At least 21.9 percent of Metro students take some kind of remedial or developmental class. This bill seeks to address these problems by replacing them with full-time-equivalent students. However, I am certainly willing to work on

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finding an equitable solution to the funding issue that takes into account the true cost of all classes, even if that in some part includes reimbursable educational units. Thank you for your time and your attention to LB1058. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ADAMS: Thank you, Senator Howard. Are there questions for this senator? You're off the hook. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR HOWARD: That's good. It's clear. Thank you. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR CORNETT: Good afternoon, Senator Adams and members of the Education Committee. My name is Abbie Cornett, C-o-r-n-e-t-t, and I represent the 45th Legislative District. The purpose of LB1082 is to address the funding formula for community colleges. First, LB1082 would set the amount each college gets for the fiscal year of 2009-10 in statute. Then it provides a formula for distribution aid for 2010-11 that shall be based on full-time-equivalent students. And starting in 2011-12, after the 2010 census data is available, LB1082 states the aid shall be distributed based on allocating 80 percent of the aid based on the population each community college is expected to serve and divides the remaining 20 percent of state aid evenly among the community colleges as foundation aid. LB1082 also adjusts the role and mission of the community college, based on recent recommendations from the Coordinating Commission for Postsecondary Education; clarifies some reporting requirements and the role of state agencies as necessary; and strikes the mandatory participation in this association. And finally, LB1082 renames the act. This is an alternative proposal to Senator Adams'. Before, everyone was working together a little bit more closely. And I want to thank Senator Adams for all of his participation in the discussions with Metro. And with that, I'd be happy to answer any questions. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ADAMS: Thank you, Senator. Are there questions for Senator Cornett? Guess not. Senator Ashford, you're up. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ASHFORD: Thank you, Mr. Chairman. Brad Ashford, Legislative District 20. And I'm here to introduce LR299CA, which quite simply would place before the voters on the November ballot a proposal to reduce the number of community college areas from six to three. Let me just tell you where I'm at here. In the late '80s, early '90s, much of the discussion that we're having here today was had then. And it...much of the concerns, many of the back-and-forth proposals about how do we structure community colleges was before us in those years, as it is today. One of the seminal moments in those years was the creation of Kearney as a part of the University of Nebraska, taking it out of the state college system and making it part of the University of Nebraska. At that time, in the creation of the Coordinating Commission, there was a vision that was put forth by the Legislature at that time to create a much more--as Senator Avery talks

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about a lot--a much more concise, understandable, clear organization for higher education that would break through the territoriality, the silos, that existed then in higher education and move us in an area where we focus on the student by looking at the needs of the students and creating pathways for those students, whether it's through community colleges, whether it's through state colleges or the university system. That was the topic of the time. And that's, you know, 16, 17, almost 20 years ago those discussions occurred. We have moved no further in 20 years. We have not moved any further in 20 years. The creation of--or the move of Kearney to the university system, which I supported, I think was a positive thing for central Nebraska and for the entire state. The creation of the Coordinating Commission was important. But its function has been limited; it has not really coordinated the academic activities of higher education in our state anywhere near to the goals of those times, 20 years ago, when we discussed these issues. I don't see any way this is going to get resolved. I applaud Senator Adams and Senator Raikes and this committee for trying to seek resolution. But I am absolutely convinced that the community college system as currently structured cannot survive, that anything we do is only going to delay for 10 years, 5 years what is ultimately going to crash. We must, in my view, move in another direction. We must look at how the community colleges fit into the entire system of higher education in our state, making certain that we utilize technology adequately and making sure that we have penetration throughout the entire state of physical buildings where students can go and get education near their home. But we need to do it in a coordinated way. I wish I wasn't here to tell you this or to suggest this to you. It's nothing that anybody in this room has done wrong; there are no evildoers here. But I honestly believe that 20 years ago we were at the beginning of a process, through the development of the Coordinating Commission, to an organized, structured pathway kind of system that dealt with all of the issues we're talking about in these bills. I don't see any other way to do that than to restructure the community colleges, the state colleges, and the university. And I think it has to be done in a way that focuses on the student: What are the needs of the student in the 21st century? Where do they go? If you have a student that...we have a particular problem, and my colleagues from Omaha have suggested--and you suggested it, too, Senator Adams--and that is, in our city, in the Metro area, we have huge poverty issues. I mean, we saw in the paper on Sunday the fact that black violence in Omaha is third-worst in the United States. You know, youth poverty in Omaha is at the highest of any city in the United States--youth black poverty is highest of any city in the United States. How can that be? How can that be? How can we be living with the riches that we live in in this state and have that sort of situation that we have in our city, where we have violence on the street corners every single night? And that's what the Metro Community College folks are dealing with. That doesn't suggest that at Western they're not dealing with significant issues either. And when we went out to Western on the immigration study, there were...it was heartrending to listen to these young--mostly Latino young people at Western, who have no hope of finding a job. None. None. You know. And so I do not believe that if we go down this track--I do not believe that we will get to where we want to be as a state with 1.8 million people, that it's time to address

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the issue head-on, full, right in front of us, and with the courage to say it's time to change. Significant change is necessary in order to best serve our students, because if you're a young person at Western or Mid-Plains or Northeast and you want to find a job, that needs to be coordinated systemwide. That effort for that student needs to be coordinated systemwide. If that student wants to go to a state college for the junior and senior year, that needs to be coordinated systemwide. If they want to go to UNO, that needs to be coordinated systemwide. When I was in the Legislature before and we created the transfer courses--the ability to transfer from community colleges to universities--it was the absolute promise and hope. What that would do is create a seamless pathway for young people from K-12 through community colleges to the university. What's happened is the community colleges have had to take on responsibilities way beyond what they ever dreamt they were going to have to take on in 1992. So the challenge to us...and I will stop, Mr. Chairman; I'm sorry to go on like this. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ADAMS: It's all right. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ASHFORD: But the challenge is not necessarily to simply tie a bow around what is somewhat of an unpretty picture at this point; the challenge is to move beyond where we are today and to find a solution for all of our children and our students. And I don't think it's here; I think it's in a broader solution. Thank you. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ADAMS: Thank you, Senator Ashford. Are there questions for Senator Ashford? Go ahead, Senator Sullivan. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR SULLIVAN: Thank you, Senator Adams. Thank you, Senator Ashford. You certainly raised some points for conversation. But by the same token, I feel a little like how I felt when Senator Pahls made the introduction in Government Committee to reduce the number of counties down to 30 from 93, and I said to him: Perhaps the decision to do that should not be made here but should be made right at the ground level. And you alluded to that, too, that we need to focus on the best interests of the students. So that being said, where does the conversation begin--in communities all across Nebraska or where? [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ASHFORD: I think the reason I introduced this as a constitutional amendment was so that this matter could go to the voters and let the voters tell us where they want to go. I mean, if they feel they're being served by the system they have now, then we can just keep it the way it is. If they want change, then we would have the time to make the changes to get to where we need to be. But, yes, the conversations do have to occur at the local level, not just at the top level. And I'm not pooh-poohing the conversations that are going on at the top level, but I think the conversations have to be--have to occur across the state amongst teachers, professors, students in all these

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institutions to try to find what is the best way to deliver educational services. But I grant you it's a daunting task. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR SULLIVAN: That being said, one of the things that we did in last session--we created the legislative Planning Committee, and one of the areas that we're supposed to look at in that committee is education. Might this be one of the topics we should look at? [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ASHFORD: Sure. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR SULLIVAN: Okay. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ASHFORD: But I think we have to push it; we're losing kids in the process. I think we have to...the gaps are there, and I think we have to fill the gaps sooner rather than later. But I agree with you; it's a planning process. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR SULLIVAN: Thank you. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ADAMS: Senator Avery. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR AVERY: Thank you, Mr. Chair. Senator Ashford, I can't find my copy of this resolution in the folder. What you're proposing is to reduce the number from six to three? [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ASHFORD: Correct. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR AVERY: And you would actually merge campuses. I presume you'd have a Southeast, a Metro, and one in western Nebraska? [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ASHFORD: I don't really know; it would be up to the Legislature to determine how the campuses would be consolidated. But my guess would be that most of the...I really don't know, Senator Avery. But I think that what I'm trying to suggest is that it would take a holistic kind of view of this to see how best to deliver services. I can't imagine too many of the brick-and-mortar campuses being closed, because you have to have that delivery source there. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR AVERY: But you could actually perhaps get some efficiencies... [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ASHFORD: Right. [LB1034 LB1058 LB1082 LB1072 LR299CA]

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SENATOR AVERY: ...by merging administrative units. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ASHFORD: Right. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR AVERY: Well, you know where I am on that. I'm likely to be right with you. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ASHFORD: Okay. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR AVERY: I don't know if this is the proposal that I would endorse, but certainly you're thinking. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ASHFORD: Well, maybe it would take a little work, Senator Avery. I don't know. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ADAMS: Are there other questions for Senator Ashford? Seeing none, thank you, Brad. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ASHFORD: Thanks. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ADAMS: All right. We will begin now with the approximately 20-minute block of the association testifiers. First up. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SANDRA BORDEN: (Exhibit 1) Good afternoon. My name is Sandra Borden; that's B-o-r-d-e-n. I'm a member of the Central Community College Board of Governors, and I'm here to speak in opposition to LB1082 and in support of LB1072. My comments this afternoon will be brief, but I hope my words will remain with you throughout the deliberation. The concept of equity sounds simple: Just make things equal. But unfortunately, what seems so simple in the abstract turns out to be considerably more complex in the practice. Just what do we mean when we say we want to equalize funding for various community colleges in our state? Does it mean the same number of dollars per student? per FTE? per credit-hour? per course taken? per REU? per campus? The fact is, anyone who is looking for inequity can always find it, because equalizing treatment on the basis of one criterion will always mean possibly being inequitable on the basis of some other criterion. For that reason, those of us who are elected to govern the community college system--and that includes, in different capacities, all of you and me--should be framing our deliberations in terms of: What do we want to achieve, and how do we achieve it? In the context of this current discussion, we should be asking ourselves: What was our original intent? And are we accomplishing it? Nebraska Statute 85-1536 states that: in an effort to promote quality postsecondary education and avoid excessive and disproportionate taxation on the taxable property of each community college area, we may appropriate each biennium

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from such funds as may be available an amount for aid and assistance to the community college. And it continues with: to foster high standards of performance and service, so that every citizen, community, business will have the opportunity to receive quality educational programs and services regardless of their size, wealth, geographic location of the community college area. I could go through a history of the various changes the Legislature has attempted, but it's not really the point I'm making. Suffice it to say that numerous attempts have been made to come up with the perfect determination of equity. But there's always someone who thought whatever formula was established did not fit their definition of equity. Nebraska is a state comprised of urban and rural areas, wealthy and less wealthy communities, baccalaureate and technical students. The six community colleges have the same goal of fostering high standards for our students, faculty, and staff. All of us--the colleges, their students, and the taxpayers of Nebraska--trust the Legislature to remember that the ultimate goal was, is, and should be making sure that all Nebraskans have the same opportunity for a quality educational experience, whether they live in Omaha or Scottsbluff. Pursuing equity as your objective for the community college system is a laudable goal. Central Community College, as a member of the Nebraska Community College Association, will continue to work toward an agreeable resolution that will benefit all of Nebraskans. Thank you for your time. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ADAMS: Thank you. Are there questions for this testifier? We're not going to let you get away quite that easy. We'll at least ask. Are there questions? Senator Avery. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR AVERY: You didn't address any of the others--you have no opinion on the other two? [LB1034 LB1058 LB1082 LB1072 LR299CA]

SANDRA BORDEN: I have not been asked to testify on the remaining... [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR AVERY: Three. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SANDRA BORDEN: ...three that have been introduced. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR AVERY: Okay. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SANDRA BORDEN: And so my comments are aimed at those two. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR AVERY: You like one; you don't like the other. [LB1034 LB1058 LB1082 LB1072 LR299CA]

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SANDRA BORDEN: Yes, that's true. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR AVERY: Thank you. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ADAMS: Are there other questions? Thank you then. Next testifier. [LB1034 LB1058 LB1082 LB1072 LR299CA]

TOM PERKINS: (Exhibit 2) Good afternoon. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ADAMS: Good afternoon. [LB1034 LB1058 LB1082 LB1072 LR299CA]

TOM PERKINS: Senator Adams, members of the committee, my name is Tom Perkins, and I'm from Scottsbluff, Nebraska, and I'm a member of the WNCC board and NCCA board. I would like to thank you for this opportunity to appear before you and also thank you for the hard work that you have been doing on behalf of the state of Nebraska and community colleges. On May 19, 1989... [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ADAMS: Excuse me, Tom. Before you go any further, can you tell us which bills you... [LB1034 LB1058 LB1082 LB1072 LR299CA]

TOM PERKINS: Oh, I'm sorry. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ADAMS: ...so we get that for the record. [LB1034 LB1058 LB1082 LB1072 LR299CA]

TOM PERKINS: I'm supporting LB1072. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ADAMS: All right. [LB1034 LB1058 LB1082 LB1072 LR299CA]

TOM PERKINS: On May 19, 1989, Senator Jerome Warner spoke to board members and CEOs of the Nebraska Technical and Community College Association--the predecessor of NCCA--regarding the funding formula and governance issues. And he warned them: If you don't solve the problem, someone else will. He then counseled them to speak with one voice in lobbying with legislators. In recent years the admonition and advice has been forgotten. Two parties, a large community college, and NCCA--representing the five remaining community colleges--each making a case for their respective positions, have lobbied the Legislature. We are aware of how we got here. One community college did not like the position that five others had taken in regard to the funding formula and was eventually expelled for nonpayment of dues. NCCA did not have the authority to keep that community college at the table. While all community colleges were required to belong to an association, there were no consequences for those who didn't. With a provision in LB1072 allowing membership in

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the association to be permissive, I predict matters will not improve. Having read Article VII, Section 14, and 85-1402, Section 3, I understand that the coordination will be done by the commission, but the question remains: What are the consequences should a community college choose not to be coordinated by the commission? In regard to the work of coordinating community colleges, part of the expectation of the executive director is to meet with each community college at least once a year. And then during those sessions, the director gives an overview of the community college needs and concerns and welcomes feedback from the community college boards. In addition, he has taken on the difficult task of trying to mediate the differences among community colleges. The weakness of NCCA was that there were no consequences when a community college chose not to stay at the table, except to be expelled, which means very little. We failed that college in question, because there were no consequences for not belonging, such as loss of or reduction in state aid. Such a consequence would have kept them at the table and will eventually keep all six community colleges at the table when there are future disagreements. In my opinion, the value of NCCA is that players--board members, CEOs--at their quarterly meetings are able to be at the table to discuss the issues that confront them and to take whatever action is necessary. Then another problem arises: in spite of the commission's attempt to coordinate community college activities, tax funds will be used to hire community colleges (sic) to further obfuscate the issues of funding should NCCA go away. You will have six lobbyists, not one. Therefore I recommend that membership in the Nebraska Community College Association be mandatory and that there be consequences for a college should it decide not to be a member. The consequences that will make sense are a reduction of or loss in state aid. Thank you very much for your attention. I appreciate it. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ADAMS: Thank you, sir. Are there questions for this testifier? Anyone?
Senator Howard. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR HOWARD: I don't really have a question; I want to just tell Tom thank you for driving in. It's always good to see you. [LB1034 LB1058 LB1082 LB1072 LR299CA]

TOM PERKINS: It's good to see you, Senator. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR HOWARD: Thank you. [LB1034 LB1058 LB1082 LB1072 LR299CA]

TOM PERKINS: Thank you. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ADAMS: Are there any other questions? Thank you then. Oh, Senator Avery. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR AVERY: I wasn't going to do this, but I am. [LB1034 LB1058 LB1082

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LB1072 LR299CA]

TOM PERKINS: (Laugh) Okay. Let's do it. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR AVERY: Dr. Perkins, you don't actually support all of LB1072, because LB1072 would make membership in the NCCA voluntary. [LB1034 LB1058 LB1082 LB1072 LR299CA]

TOM PERKINS: I do not support that part. Yes, I'm asking for a modification in the bill to make NCCA a mandatory association. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR AVERY: And that's what we have now, but it apparently didn't work. [LB1034 LB1058 LB1082 LB1072 LR299CA]

TOM PERKINS: And I agree with you. It apparently did not work. And the reason for that is there were no consequences for a community college that chose not to stay at the table. We need something that will cause them to stay there with us and to hammer out whatever needs to be hammered out. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR AVERY: Do you have any concrete suggestions on how we can discipline a college? [LB1034 LB1058 LB1082 LB1072 LR299CA]

TOM PERKINS: Well, the one I have is pretty painful (laugh)--it's pretty painful. And the painful part is, I would suggest a reduction in state aid until they came back to the table. That's pretty painful. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR AVERY: You wouldn't advocate taking all of the state aid? [LB1034 LB1058 LB1082 LB1072 LR299CA]

TOM PERKINS: You know, in my weak moments I might. But at this point in time, I will just simply say a reduction in state aid. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ADAMS: Other questions? Thank you, sir. [LB1034 LB1058 LB1082 LB1072 LR299CA]

TOM PERKINS: Thank you very much. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ADAMS: Next testifier. [LB1034 LB1058 LB1082 LB1072 LR299CA]

JACK HUCK: (Exhibit 3) Good afternoon, Chair Adams and members of the Education Committee. My name is Jack Huck, H-u-c-k. And I have the privilege of serving as president of Southeast Community College. I'm testifying this afternoon in support of LB1072, with a focus on the base growth factor. And actually I will be asking you to

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make some modifications in LB1072 regarding that base growth factor. In my testimony today I'm representing five of Nebraska's community colleges, who are members of the Nebraska Community College Association: Southeast, Northeast, Central, Mid-Plains, and Western. I will be speaking directly to Section 29, Subsection 3, of LB1072, which moves the base growth limitation in the state aid formula from 3 percent to 1 percent. We know the committee has a sincere interest in maintaining a responsible property tax rate, known as the local-effort rate or LER. We share that interest and pledge to work with you in that regard. We believe that the 1 percent rate cited in Section 29 moves beyond the intention of maintaining a responsible, steady LER into a revenue scenario that will harm college operations. I've given you a series of graphs, and I'm only going to use a couple of those with you today--you can certainly look at the rest at your leisure to see how they affect your local community college. But the first graph I have for you is one labeled: "Nebraska Community College Areas: LER versus Base Growth Percent"; it's the first graph in your packet. The first graph tracks the projected LER at base growth factors of 1 percent, 2 percent, 2.5 percent, and 3 percent. You can see that LER stabilization is most closely affiliated with the growth rates at 2.5 percent or 3 percent, with the 1 percent level creating a negative impact on all community colleges but especially to rural colleges. As noted on the graph, the LER is actually more stabilizing at the 3 percent growth factor, as is currently in statute. The other graphs I have for you I would share with you as to what happens to each community college individually at the various rates of base growth and directly reflecting the resulting LER, and that's a set of six different graphs. If you look at all six, you'll note that the dollar scale on the left side of each graph is significantly different because each college is at a different budget and revenue level. As you can see, each college has a slightly different experience in relation to its access to total resources available under the formula. Of greatest concern is the question of adequacy of total resources for five of us, including Metropolitan, at the 1 percent level and the significant decline in total resources that would be experienced by Western. And to just briefly review that with you, I would point you to the second-to-last graph that says: "Western Community College: Total Resources versus Base Growth Percent." And it's also appropriate at this point to note that each college's most up-to-date projections for enrollment, property valuation, and tuition income are utilized in the production of these graphs, including a projected 11 percent decline in enrollment at Western Community College. Although you can see the trend line for each college remains similar at all growth levels--1 percent, 2 percent, 2.5 percent, and 3 percent--the amount of total resources available to allow each college to function effectively is stabilized and improved at the 2.5 percent or 3 percent level while keeping the LER at a stable rate, as we showed you in the previous graph. And, of course, the implications for Western, you can see, are pretty significant in terms of the downward spiral that's affiliated with their projected experience based on their declining enrollment pattern. We ask that you give serious consideration to using a base growth rate of 2.5 percent or 3 percent in LB1072, so that your community colleges can continue to be the responsive, effective, and accessible higher education institutions you expect us to be, with a controlled and responsible local-effort rate. In addition, we

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suggest that LB1072 direct a review of the base growth factor as a part of the regular state biennium budget process for community colleges. Thank you for allowing us to share this specific information with you this afternoon. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ADAMS: Thank you, Jack. Are there questions? Anyone? If not, thank you, Jack. [LB1034 LB1058 LB1082 LB1072 LR299CA]

JACK HUCK: Thank you. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ADAMS: And we'll take the next testifier; this may very well be the last one for this block of time. [LB1034 LB1058 LB1082 LB1072 LR299CA]

GREG P. SMITH: (Exhibits 4 and 5) Good afternoon, Senator Adams and members of the Education Committee. My name is Greg P. Smith, S-m-i-t-h. I have the privilege of serving as president of Central Community College, and I'm here this afternoon representing the five members of the Nebraska Community College Association. I'm here today to express NCCA's general support of the proposed changes to the new definition of "REU, reimbursable education unit," as stated in Subdivision 20 of Section 85-1503 of LB1072. I should point out that NCCA's support of LB1072 in this area implies strong opposition to LB1058 and also to LB1082, both of which--among other proposed changes--would discontinue a consideration of REUs in the community college state aid funding formula. The proposed definition of REU in LB1072 continues a long tradition of support for our role and mission, which does have career and technical education as the pre-eminent part of our role and mission. And it also recognizes that some of the community college programs, especially in the heavy technical area and the health sciences, are more expensive to deliver than others. I won't go into the history of REUs in this state other than to point out that it was May 1979 with the Governor's signature on LB363 that first introduced the notion of REUs in the funding formula--so over 30 years. Last year with the passage of LB340, the Coordinating Commission was tasked with studying REUs, and they did come up with a recommendation to change the weighting scheme from three weights to six weights. We think the Coordinating Commission did a good and thorough job, and we now have good information on the costs of our programs. We, again, support REUs, and we support the move to a weighting scheme of six rather than three categories, but we have two friendly amendments. First of all, the bill as written probably implies a level of precision that's a little bit more than we actually have, so we would suggest rather than, you know, 1.0, 1.16, 1.44, that the Legislature just go with weights in 0.25 increments--1.0, 1.25, 1.5, 1.75, etcetera--and just, you know, review those periodically. However, with that said, we do wish to point out that LB1072 as proposed does not incentivize the development or continuance of expensive career and technical education programs. It simply reimburses actual costs. We suggest that the Education Committee entertain the notion of expanding the range of weights, perhaps from 1 to 3.5, to provide

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incentive to community colleges to support these programs which are deemed pre-eminent in our statutory role and mission and which are indeed more expensive. I would also like to point out that such changes to the REU weighting--for example, going from 1, 1.5, 2, 2.5, 3.0, 3.5--would...they're revenue neutral. They have no increase in the overall amount of state aid, and they would not affect the funding formula local-effort rate. At this point I thank you and would be pleased to entertain any questions. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ADAMS: Thank you, Greg. Are there questions? Yes, Senator Howard. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR HOWARD: Thank you, Chairman Adams. Do you have students that come to you that need some remedial assistance to be able to...? [LB1034 LB1058 LB1082 LB1072 LR299CA]

GREG P. SMITH: Yes, we do. Right now about 4 percent of our FTE is foundations education. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR HOWARD: Okay, so only 4 percent--I don't mean to minimize that, but... [LB1034 LB1058 LB1082 LB1072 LR299CA]

GREG P. SMITH: You know... [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR HOWARD: ...4 percent compared to 21.9, approximately, at Metro. [LB1034 LB1058 LB1082 LB1072 LR299CA]

GREG P. SMITH: I would doubt if that is the proportion of FTE at Metro. That might be the percent of students who need remediation. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR HOWARD: The percent of students. [LB1034 LB1058 LB1082 LB1072 LR299CA]

GREG P. SMITH: I was talking about our FTE production. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR HOWARD: Well, what percent would you have, then? [LB1034 LB1058 LB1082 LB1072 LR299CA]

GREG P. SMITH: I'm not sure, but the need is typically similar in community colleges across the nation. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR HOWARD: So you would feel you would have as many students that would

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come in from your area or into your college as the Omaha area has that are in need of that remedial? [LB1034 LB1058 LB1082 LB1072 LR299CA]

GREG P. SMITH: Not as many. Metro is three times our size. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR HOWARD: But proportionately--we're talking proportionately. [LB1034 LB1058 LB1082 LB1072 LR299CA]

GREG P. SMITH: With proper assessment, I would say yes. We just moved to a policy of mandatory assessment and placement, and I would expect that that 4 percent number will increase. I would also say with regard to my testimony and the Coordinating Commission's study, it was determined that foundations education is not a high-cost program. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR HOWARD: If you could--if you were able to provide me that information on the numbers... [LB1034 LB1058 LB1082 LB1072 LR299CA]

GREG P. SMITH: It's... [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR HOWARD: ..for your school, I would really appreciate that. [LB1034 LB1058 LB1082 LB1072 LR299CA]

GREG P. SMITH: And now which numbers would you like specifically? [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR HOWARD: The percentage that require--or that you offer this remedial, developmental program to. [LB1034 LB1058 LB1082 LB1072 LR299CA]

GREG P. SMITH: Sure. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR HOWARD: Thank you. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ADAMS: Senator Sullivan. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR SULLIVAN: Thank you. Thank you. I'm not quite following your rationale on changing the weighting scheme. Could you expound on that a little bit? [LB1034 LB1058 LB1082 LB1072 LR299CA]

GREG P. SMITH: Yes, the weighting scheme as proposed in LB1072 would, based on the Coordinating Commission's study and actual cost data, would group programs into one of six categories. And LB1072 as currently written has those categories starting at 1 and ending at 2.16. If the Legislature continues to go with those weightings, all they're

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doing is reimbursing the actual costs of programs. And if indeed career and technical education is our pre-eminent mandate, we believe that--and those programs are high-cost--we believe there should be some incentive for continuing to offer those high-cost programs. And one way to do that is to fund them in the state aid formula at costs or at dollar amounts slightly higher than their actual costs. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR SULLIVAN: Okay, thank you. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ADAMS: Other questions? Thank you, Greg. Oh, I'm sorry. Go ahead, Brad. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ASHFORD: What's wrong with weighting FTEs higher than what the formula does? You know, if you have 18,000 students versus 3,000 students, doesn't that have something to do with how you, I mean, with the money you need to operate? I mean, if you're providing education for 18,000 students versus 3,000, isn't that a--shouldn't that be reflected in the formula a little more aggressively than it is? [LB1034 LB1058 LB1082 LB1072 LR299CA]

GREG P. SMITH: I would say that's up to this group to decide. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ASHFORD: Well, what's your view? I mean... [LB1034 LB1058 LB1082 LB1072 LR299CA]

GREG P. SMITH: My view is that if you fund simply based on FTE, then you're not giving proper recognition to the statutory role and mission of community colleges, which say the delivery of career and technical education is our first duty. And those are definitely high-cost programs. If you fund everything based on FTE, at least with, you know, other factors aside, with regard to funding, you're better off, you know, using your cash cows and getting as many students into Intro. to English and Intro. to Psych. courses as you can, because those are low-cost programs. FTE gives no recognition to the differential costs of programs. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ASHFORD: That's a good answer. And...but what I'm trying to get at is what is a fair formula? And my sense is that vocational education is an important mission, but it is not as important a mission as it was when those statutes were passed. And that... [LB1034 LB1058 LB1082 LB1072 LR299CA]

GREG P. SMITH: Maybe in Omaha. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ASHFORD: Well, I'm...no, I mean. No. It depends on how you define vocational education. But I think, you know, maybe that's where this rub is, and I've

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been trying to find some kind of rationale. But what's happened is that the community colleges all over the state have taken on a number of students who are not in vocational-technical courses but are in developmental courses or are in college-transfer courses--many more than there were at the time when we okayed the college-transfer courses, obviously, years ago. So there's a difference. Vocational education is still important but not as important, I would suggest, as it was 20 years ago. [LB1034 LB1058 LB1082 LB1072 LR299CA]

GREG P. SMITH: Well, I can't speak for every community college. I will say that at Central Community College, right at 50 percent of our FTE is career and technical education. But what you have to keep in mind is that within those career and technical education degrees...to get an A.A.S. degree, about 25 percent of your coursework is Gen. Ed. So if you want to consider, you know, the proportion of our FTE that's directly attributable to having career and technical education programs, it's well over 60 percent. And I would say that Central is probably not at the top of the heap in that regard. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ASHFORD: But so...and I think you're...and this is not a kind of a trick...I mean, if...there's been a movement, at least some movement, wouldn't you agree, in the last 20 years, into other educational pathways other than vocational-technical... [LB1034 LB1058 LB1082 LB1072 LR299CA]

GREG P. SMITH: Well, it's in our statutory role and mission. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ASHFORD: Well, but, I mean, in actuality, in reality, too, I mean, there's been a...it may not...you know, it may be in the mission, but there have been--certainly at Metro and I would guess at other campuses, there's been a movement towards degree courses and to some degree--certainly at Metro--developmental courses, maybe not as much in the other schools. But what I'm suggesting is: Would it not be reflective of reality to have a formula that--let's say it was 60 percent REUs and 40 percent FTEs; isn't that more reflective of what's really going on out there? [LB1034 LB1058 LB1082 LB1072 LR299CA]

GREG P. SMITH: Well, if I understood Senator Adams correctly in his introduction of LB1072, he has introduced a 20 percent FTE factor in the funding formula that was not previously there. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ASHFORD: Okay. And I agree. And maybe that's the right number, or maybe it's not. But I mean, would you acknowledge that, though the role and mission in the statute has essentially remained the same, that in reality there has been an enlargement...and this is not a bad thing. I mean, there's been an enlargement in what your colleagues and you have been able to accomplish by bringing these degree

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students in and also, to some extent, the developmental courses. [LB1034 LB1058 LB1082 LB1072 LR299CA]

GREG P. SMITH: Yeah. There's been--certainly there's been a shift in the mix; I'm just not convinced that that's germane to considerations of the funding formula, because I was speaking specifically to the REU question. And, you know, the REUs are more concerned with reimbursing the actual costs, whether it's... [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ASHFORD: Right. Now I know I'm taking you off course a bit, but I know you know the answers to all the other things too. But I...and all I'm suggesting is maybe in the formula, that it's quite possible that there might be a percentage...and Senator Adams has suggested that in his 20 percent formula, that there might very well be another number that mirrors... [LB1034 LB1058 LB1082 LB1072 LR299CA]

GREG P. SMITH: Well, yeah, there may be. And certainly, you know, your analysts can run those numbers. But I think on the...you know, as long as assessed valuation and collected tuition and fees play a large role in that formula, you can, you know, tweak REUs, FTEs, etcetera, and all you're going to end up with is minor variations on a theme, in terms of how the dollars are distributed in general. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ASHFORD: I'm not talking about the dollars here; I'm talking about what is the best policy for the state to...and that's, as Senator Adams has said, that's the problem with this last four years--is all we've talked about is the dollars, and I think we forgot the kids. But basically that if we have a formula that, as Senator Adams has suggested in LB1072, that might reflect some changes in how things are going, that that might be good policy. Thanks, Mr. Chairman. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ADAMS: Anyone else? Thank you, Greg. [LB1034 LB1058 LB1082 LB1072 LR299CA]

GREG P. SMITH: Yes, thank you. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ADAMS: And at this hour or at this point in time, we'll switch over now to testimony for the next 20 minutes from Metro. [LB1034 LB1058 LB1082 LB1072 LR299CA]

WALTER RADCLIFFE: Good afternoon, Senator Adams and members of the Education Committee. My name is Walter Radcliffe, R-a-d-c-l-i-f-f-e. I'm appearing before you today on behalf of Metropolitan Community College as their registered lobbyist, for the record. I'm appearing in opposition to LB1072, in support of LB1034, LB1058, LB1082,

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and a neutral position on Senator Ashford's LR299CA. I think as I testify I hope to explain to you, frankly, why I'm leading off, because I'm not going to spend a lot of time talking about these bills. I'm going to spend less time talking about where we've been, very little time talking about where we're at, and, hopefully, most of my testimony will be about where I hope we're going to go. And that testimony centers on conversations that Senator Adams mentioned that have occurred over the last six weeks between himself, me, Dennis Baack, and our respective associates. And I think whenever those conversations--conversations like that go on, it's good to come in a public forum and discuss what they are and for those participants to discuss what they are and where they hope they will go. I had gone over this with Senator Adams prior to the committee hearing, so this isn't any surprise to him. But simply put, Metro...one thing--I'm going to step back one step. One thing that I've heard everybody testify to before me, and I would agree with them, is that we really need to figure out what it costs to educate children in a community college, period--the real cost, not with this assumption or that assumption but the actual cost. And one of the things that Metro believes should be included in that type of a cost assessment that is not in the existing formula is the cost to educate remedial and developmental student needs. So the question becomes: How do you get into that posture? And I think--and this is what we've concluded in our conversations--that we need to look at models that exist, see where they've succeeded and see where they've failed. And simply put, there's about a three-step process to coming up with those costs. And that is that each college should submit an annual financial report. That report should be submitted to the Postsecondary Coordinating Commission, just as in TEEOSA those reports are submitted to the Department of Education. As a result of submission of those reports, the Postsecondary Commission could come up with a needs assessment, which in essence is the general fund operating expenditures, the GFOE. That needs assessment, in essence, in the formula replaces foundation FTEs and REUs. It's the real expense; it's the real expense of what's needed. As far as the equalization and tuition part of the formula, you leave that in there. These are numbers that are not going to be tricked up by anybody. They're going to be audited; they're going to be solid accounting numbers given to a third party for their review to, in effect, then come up with the GFOE. It works in TEEOSA; it'll work here. There's basically five things that I hope to see done this year. And I would like to see them contained in LB1072 as a vehicle. Now there may be some additional things; this is not an exclusive list. But I will go through those five things...well, my little yellow light is on. First of all, we need a tuition definition that does not allow any gaming. Tuition needs to be a gross definition, minus refunds, whatever is appropriate for scholarships and waivers and fees and legitimate capital construction projects. There needs to be a requirement to start the AFR process; there needs to be a time line for that process. We need to give the authority to the Postsecondary Commission to analyze those AFRs and to come up with a methodology for a GFOE and to come up with a formula that does work and that is based on costs. This will get us there. No one, no public entity, should ever shirk from being willing to submit what it does with its taxpayer dollars. Come up with the cost, you'll have the need, because that's what

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they've spent it on. And that's where I hope we end up. And I'll be happy to answer any questions. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ADAMS: All right. Thank you, Walt. [LB1034 LB1058 LB1082 LB1072 LR299CA]

WALTER RADCLIFFE: Testimony that follows me will quite frankly fit into that scenario going forward. There'll be a little bit of commentary on the bill, especially on LB1072, just so you know what issues there would be. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ADAMS: All right. Thank you. Are there questions for Walt? Guess not. Thank you, sir. [LB1034 LB1058 LB1082 LB1072 LR299CA]

WALTER RADCLIFFE: Thank you. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ADAMS: Next testifier. [LB1034 LB1058 LB1082 LB1072 LR299CA]

RANDY SCHMAILZL: (Exhibits 6 and 7) Good afternoon, committee; Senator Adams, Chair. Randy Schmailzl, S-c-h-m-a-i-l-z-l, president, Metropolitan Community College. I've submitted two handouts for your review today. I will be discussing one, and then later on in the testimony the second one will be discussed. I'm here in support of LB1034, LB1058, and LB1082 and against LB1072. The current Metro picture is one of high enrollment growth. In 2008-09 we served 52,100 students, had a credit-hour increase of 6.7 percent. For the fall of '09 we were at 17,000 students, increase 17 percent; winter up 25.6 percent; and for the spring, currently, we're 34.6 percent increase in credit-hours. This causes a dilemma in the operations at the college, due to the increased need. Now why is this happening? Well, economy; we all know that. Open access and focus on the community partnerships that place Metro as a solution in this role; we've been involved in a number of additional partnerships over the last couple years to provide educational solutions, not just being a partner but an educational solution. And in 2009, when we started to build our budget, one of the things that happened is the college had planned on a \$29 million state aid allocation, and we received a \$19 million state allocation. And I'd refer you to the handout on the white paper, and it breaks down the state aid to community colleges in '08-09 versus '09-10. The net effect on Metro was--our budget is due to the state September 20, found out about the cut the first week in September; classes had already started, so we needed to address the \$5 million shortfall. The result was we increased our taxes from 6.74 to 8.5; we could not increase tuition at that time due to the effect that the formula would have on our state aid--we would continue to lose state aid. And our challenge was to continue our budget knowing that we're going to have an increase in students this year. The current formula in 2007 was built during a time of economic prosperity--focus on the need for additional money. In fact, when we passed the formula, I believe \$12 million

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extra was added to make the formula whole. The next year the request from the NCCA was \$10 million addition; Metro opposed that when it was a member of the NCCA. And during this time of finite budgets, ultimately, if we're going to equalize people's money, it's going to come from within. When there's no increase to dollars and you're going to equalize the budget, it's going to come from within the formula, and those within the formula are going to end up eating each other. The current formula deals with equalization. Our proposal is to look at student needs and what it costs to educate all students. A number of people discussed developmental; there's more students than just developmental students that attend Metro Community College. Of the 52,100 students, they come in all sizes, shapes, colors, everything. And the need for these students needs to be calculated in a mathematical way, different than our current formula calculates. I'd like to close by mentioning in LB1072 the NCCA and the association removal as a governance the college does support. The college supported that in LB340. And it's our belief that normally the colleges work together well when it's not a financial issue. When it's a financial issue, the colleges do not work together well because you're fighting for scarce resources and you're fighting with each other for those resources. So equalization versus students: I'd like to focus on students no matter what they're studying at the college and explore alternatives that require the community colleges to submit audited numbers that would determine need. Thank you. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ADAMS: Thank you, Randy. Senator Avery. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR AVERY: Thank you, Mr. Chair. You currently have a lawsuit, right? [LB1034 LB1058 LB1082 LB1072 LR299CA]

RANDY SCHMAILZL: Pardon? [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR AVERY: You are currently pressing a lawsuit, are you not? [LB1034 LB1058 LB1082 LB1072 LR299CA]

RANDY SCHMAILZL: Yes. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR AVERY: Do you have pro bono legal representation? [LB1034 LB1058 LB1082 LB1072 LR299CA]

RANDY SCHMAILZL: No, we do not. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR AVERY: You're paying for it. [LB1034 LB1058 LB1082 LB1072 LR299CA]

RANDY SCHMAILZL: Yes, we are. [LB1034 LB1058 LB1082 LB1072 LR299CA]

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SENATOR AVERY: How much of that is coming out of the equalization aid? [LB1034 LB1058 LB1082 LB1072 LR299CA]

RANDY SCHMAILZL: I couldn't answer that question. It comes out of our general fund budget, which is a combination of tuition, property tax, and state aid. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR AVERY: So a portion of it, at least. [LB1034 LB1058 LB1082 LB1072 LR299CA]

RANDY SCHMAILZL: If you take a direct proportion of it, you would say about 20 percent, 22 percent. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR AVERY: And how much did you budget for this lawsuit? [LB1034 LB1058 LB1082 LB1072 LR299CA]

RANDY SCHMAILZL: We have a contingency budget on lawsuits, plus we have an actual budget for our general college operation. Our general college operation budget is around \$110,000 for the year. And then any additional lawsuits that would come up that are not covered by our insurance trust we have a contingency, because we're never sure how much that's going to be, because we're not able to predict the lawsuits. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR AVERY: So a rough estimate would be about \$25,000 or...now you...how much, \$100,000, you said? [LB1034 LB1058 LB1082 LB1072 LR299CA]

RANDY SCHMAILZL: Um-hum. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR AVERY: ...\$110,000? [LB1034 LB1058 LB1082 LB1072 LR299CA]

RANDY SCHMAILZL: Um-hum. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR AVERY: So about \$25,000 of state aid money would be going to this lawsuit? [LB1034 LB1058 LB1082 LB1072 LR299CA]

RANDY SCHMAILZL: If you use a proportion of our revenues... [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR AVERY: Yeah. [LB1034 LB1058 LB1082 LB1072 LR299CA]

RANDY SCHMAILZL: ...yes. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR AVERY: Okay. Thank you. [LB1034 LB1058 LB1082 LB1072 LR299CA]

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SENATOR ADAMS: Other questions? Brad. Senator Ashford. Excuse me. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ASHFORD: No, Brad's fine. It's better. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ADAMS: I'm sorry. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ASHFORD: Randy, in 2001-02, which was six years ago, seven years ago, you had around...is this right? I mean, I'm not...FTE students...how many FTE students did you have? [LB1034 LB1058 LB1082 LB1072 LR299CA]

RANDY SCHMAILZL: We had around 8,300 FTE students. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ASHFORD: And now we have 18,000? [LB1034 LB1058 LB1082 LB1072 LR299CA]

RANDY SCHMAILZL: And now we have 11,000. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ASHFORD: Oh. [LB1034 LB1058 LB1082 LB1072 LR299CA]

RANDY SCHMAILZL: Over 11,000. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ASHFORD: Oh, I'm sorry. [LB1034 LB1058 LB1082 LB1072 LR299CA]

RANDY SCHMAILZL: Full-time-equivalent students. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ASHFORD: But we have 52,000... [LB1034 LB1058 LB1082 LB1072 LR299CA]

RANDY SCHMAILZL: Unduplicated students that may take one class, two classes, ten classes. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ASHFORD: How many unduplicated...do you have the numbers of how many unduplicated students you had eight, five, six, seven years ago? [LB1034 LB1058 LB1082 LB1072 LR299CA]

RANDY SCHMAILZL: No, I do not. I can certainly... [LB1034 LB1058 LB1082 LB1072 LR299CA]

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SENATOR ASHFORD: Okay, can you--do you remember? Was it in the...? [LB1034 LB1058 LB1082 LB1072 LR299CA]

RANDY SCHMAILZL: It was in the 20s. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ASHFORD: I'm going to ask you this as a devil's advocate: Are you growing too fast? [LB1034 LB1058 LB1082 LB1072 LR299CA]

RANDY SCHMAILZL: It's a hard question to answer, because our capacity is unknown. We've never opened up our access to the college like we have now. And students vote with their feet. So currently what would stop us from continuing to grow would be our budget and limited space. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ASHFORD: Well, what I'm getting at is...and this gets to this issue of: Are we structured properly in higher education generally? I mean, if we've gone from, let's say, 30,000 to 50,000 students in a matter of a few years--not FTE but...well, that includes the FTE... [LB1034 LB1058 LB1082 LB1072 LR299CA]

RANDY SCHMAILZL: Um-hum. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ASHFORD: ...but also...so 40,000 of non-FTE students, that's incredible growth. I mean, that's... [LB1034 LB1058 LB1082 LB1072 LR299CA]

RANDY SCHMAILZL: That's incredible growth. A lot of it's on-line, too, where students are not on campus on a regular basis. We invested--our board invested a number of years ago in on-line education before it really became a fad, simply because it was hard for our students to find transportation all the time and in the winter, and we had a number of programs for single parents. So we launched on-line programs that in a sense led to...in the winter quarter we had 285 on-line sections. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ASHFORD: And are those...is the tuition for those sections the same as it is for... [LB1034 LB1058 LB1082 LB1072 LR299CA]

RANDY SCHMAILZL: Yes, it is. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ASHFORD: And how much is the tuition? [LB1034 LB1058 LB1082 LB1072 LR299CA]

RANDY SCHMAILZL: \$48 per credit-hour. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ASHFORD: Okay. And that \$48 per credit-hour applies to FTEs as well as

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the... [LB1034 LB1058 LB1082 LB1072 LR299CA]

RANDY SCHMAILZL: All students, except for...that's all in-state students. Out-of-state students--that's a different tuition rate; it's higher. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ASHFORD: How much higher is it? [LB1034 LB1058 LB1082 LB1072 LR299CA]

RANDY SCHMAILZL: I think it's \$63 a credit-hour, so it's about a third to a half higher, because the students from out of state do not pay state tax, so they're charged a premium. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ASHFORD: They don't pay property tax... [LB1034 LB1058 LB1082 LB1072 LR299CA]

RANDY SCHMAILZL: Yeah. Right. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ASHFORD: ...or... [LB1034 LB1058 LB1082 LB1072 LR299CA]

RANDY SCHMAILZL: Right. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ASHFORD: Okay. So there's really no limit to your growth, is that...other than...I mean, if you charge--there is a limit, obviously. You have to have teachers; you have to have the delivery systems to be able to deliver education. But you're at 50,000 now, and I guess, generally, that's great. I mean, you've done significant work to get there, but is there a point where--does it make any sense to grow any more than that? [LB1034 LB1058 LB1082 LB1072 LR299CA]

RANDY SCHMAILZL: Well, the point that you're... [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ASHFORD: I'm trying to get at... [LB1034 LB1058 LB1082 LB1072 LR299CA]

RANDY SCHMAILZL: ...moving towards is at...you know, if all of our students attended Metro full time, you'd have a lot less students than 52,000 that attended. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ASHFORD: Well, sure. [LB1034 LB1058 LB1082 LB1072 LR299CA]

RANDY SCHMAILZL: And it's more cost-effective to educate full-time students, because it...you know, one instead of three. In Omaha and the surrounding area, Sarpy

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County, many people have jobs; they have families. So they're coming to school part time. And our programs are designed so that they're not lockstep programs, and they don't force you to quit your job, because of the adult learner concept. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ASHFORD: Is part of the problem you're having in the increasing property tax--was that the result of the growth from 30,000 to 50,000? [LB1034 LB1058 LB1082 LB1072 LR299CA]

RANDY SCHMAILZL: No, it was a result of the loss of \$10 million in projected state aid. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ASHFORD: Well, but...okay; all right. [LB1034 LB1058 LB1082 LB1072 LR299CA]

RANDY SCHMAILZL: And... [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ASHFORD: So you needed that \$10 million in order to keep your property tax at 6.7... [LB1034 LB1058 LB1082 LB1072 LR299CA]

RANDY SCHMAILZL: Well, we moved our property tax to 8.5 in order to generate... [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ASHFORD: From 6.75. [LB1034 LB1058 LB1082 LB1072 LR299CA]

RANDY SCHMAILZL: ...from 6.7 to generate the missing revenue. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ASHFORD: But part of the 6.75...sorry. Part of the growth in property tax was...well, all of it went into the general budget, I assume... [LB1034 LB1058 LB1082 LB1072 LR299CA]

RANDY SCHMAILZL: Yes. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ASHFORD: ...the operating budget. [LB1034 LB1058 LB1082 LB1072 LR299CA]

RANDY SCHMAILZL: Um-hum. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ASHFORD: And the operating budget is there to pay for the cost of educating 50,000 students. [LB1034 LB1058 LB1082 LB1072 LR299CA]

RANDY SCHMAILZL: Right. And so I, you know, I... [LB1034 LB1058 LB1082 LB1072

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LR299CA]

SENATOR ASHFORD: Could you have raised tuition? [LB1034 LB1058 LB1082 LB1072 LR299CA]

RANDY SCHMAILZL: We elected not to raise tuition, because it would erode state aid further. And so every dollar we raise tuition, we'd lose about 60 cents in state aid. And we elected not to do that. We elected to pass...the board elected to pass it on to the property tax, to the taxpayers of our four-county area. And I don't want the committee to think that Metro is only about developmental education; that's an important thing, but... [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ASHFORD: No, no. What I'm trying to get at is how big is big and how much education can Metro afford to... [LB1034 LB1058 LB1082 LB1072 LR299CA]

RANDY SCHMAILZL: Right now we, budgetwise, are at our limit. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ASHFORD: At 50,000 or whatever that number is. [LB1034 LB1058 LB1082 LB1072 LR299CA]

RANDY SCHMAILZL: Yeah. We're at our limit. We'd have to find ways to internally cut programs that may not be carrying their load. And we study that through the Coordinating Commission and on our own on a regular basis. And each year, 10 to 15 programs go to our board that are cut, and new ones are added that have a better market. Metro's presence into the community, you know, has made it attractive, through lower tuition, to have a number of students that can't afford higher education to start with at a four-year institution to come to Metro. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ASHFORD: Okay, one last question. The number of degree courses, transfer courses--students that are on that pathway...how many students are on that pathway that would get them into a transfer mode, where they're taking degree-type courses? [LB1034 LB1058 LB1082 LB1072 LR299CA]

RANDY SCHMAILZL: Currently--the last report I have by the Coordinating Commission is '07-08 on FTE enrollments, and Metro is at 15.1 percent of its total enrollment. So that's about 1,500 of our 10,000 FTEs at that time are academic transfer. We're not as high academic transfer as some people give us credit for. In fact, we're, on this chart, the lowest community college in terms of academic transfer percentages on FTE. We have a general education component for all of our trades and all of our degrees, which--many students will come and enroll for a Psych. I class, Psych. II class, English I, English II. We offer it as a general education component, but it's also transferable to

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UNO, Bellevue as a transfer class. These are the actual full-time-equivalent enrollments at Metro; so I went with the Coordinating Commission's numbers instead of our numbers. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ASHFORD: And what is your overall general fund budget? [LB1034 LB1058 LB1082 LB1072 LR299CA]

RANDY SCHMAILZL: \$78 million this year--\$80 million. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ASHFORD: And of that, \$20 million comes from state aid; and how much comes from property tax? [LB1034 LB1058 LB1082 LB1072 LR299CA]

RANDY SCHMAILZL: Probably about...and I'm going to have to check on that... [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ASHFORD: Okay. [LB1034 LB1058 LB1082 LB1072 LR299CA]

RANDY SCHMAILZL: ...to be accurate. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ASHFORD: Okay. Do you know how much...well, I guess we could figure out that. How about tuition? Do you know that number? [LB1034 LB1058 LB1082 LB1072 LR299CA]

RANDY SCHMAILZL: Tuition. I'll have to check on that too. I didn't bring those with me. We'll have somebody behind that will have those numbers. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ASHFORD: Okay. And is it your...of the students that you capture in the 50,000, and of those are taking on-line courses...do you know what percentage are taking on-line courses? [LB1034 LB1058 LB1082 LB1072 LR299CA]

RANDY SCHMAILZL: Not in terms of full-time-equivalents, I don't. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ASHFORD: Well, how about just numbers of students that are on-line? [LB1034 LB1058 LB1082 LB1072 LR299CA]

RANDY SCHMAILZL: This quarter we have 6,000 students taking on-line courses. Now that undoubtedly is... [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ASHFORD: They could also be taking courses... [LB1034 LB1058 LB1082 LB1072 LR299CA]

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RANDY SCHMAILZL: Yeah. That undoubtedly is a combination, due to our winter weather, of maybe taking one course and one course on-line--you know, one course on campus and one course. Usually that's the way it's done. It's a blended of on-campus and on-line or a student attending Bellevue University that takes an on-line course at Metro. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ASHFORD: Okay. And would it be fair to say that the on-line courses and the nontraditional courses help subsidize the full-time-equivalent students? [LB1034 LB1058 LB1082 LB1072 LR299CA]

RANDY SCHMAILZL: Absolutely. Without the on-line courses we would probably be 3,000 or 4,000 students less in a quarter. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ASHFORD: On the full-time-equivalency side? [LB1034 LB1058 LB1082 LB1072 LR299CA]

RANDY SCHMAILZL: No. Probably about 1,000 less on the full-time-equivalency. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ASHFORD: Just so I get (inaudible), the FTEs, how many of those are vocational students? Vocational...not...the 1,500 you said were on degree-type programs, and then that would leave about 9,000, 9,500. Are most of those vocational courses, or are some of those developmental or...? [LB1034 LB1058 LB1082 LB1072 LR299CA]

RANDY SCHMAILZL: I'll go back to the comparison of '07-08 from the Coordinating Commission. And they show, in applied technology I class--28 percent of our students are in that category and 27 percent in applied technology II class, so. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ASHFORD: That's about 57 percent? [LB1034 LB1058 LB1082 LB1072 LR299CA]

RANDY SCHMAILZL: Yeah, you can't add that up, though. It's...I'm going to say it's about 30 percent overall. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ASHFORD: Are in vocational-technical? [LB1034 LB1058 LB1082 LB1072 LR299CA]

RANDY SCHMAILZL: Um-hum. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ASHFORD: Out of the 11,000? [LB1034 LB1058 LB1082 LB1072 LR299CA]

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RANDY SCHMAILZL: Yes. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ASHFORD: And would that be somewhat similar to the other campuses generally, that you know--or do you know? The other community colleges? [LB1034 LB1058 LB1082 LB1072 LR299CA]

RANDY SCHMAILZL: I would think some of the...you know, Mid-Plains would be higher maybe. Southeast might be a little higher or about the same. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ASHFORD: But of those vocational courses--those are not necessarily all the same either, are they then? They're...do you have...is your culinary institute, is that a vocational course? [LB1034 LB1058 LB1082 LB1072 LR299CA]

RANDY SCHMAILZL: That's a vocational course. Um-hum. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ASHFORD: And that's a new program. [LB1034 LB1058 LB1082 LB1072 LR299CA]

RANDY SCHMAILZL: And we have over a thousand students in the culinary...right at a thousand students in the culinary program now. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ASHFORD: Thank you, Mr. Chairman. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ADAMS: Thank you. Are there other questions? Thank you then, Randy. Let's...we're beyond that 20-minute mark. Let's switch back over now to the other side for 25 minutes, and then we will come back to the Metro side. [LB1034 LB1058 LB1082 LB1072 LR299CA]

MERLYN GRAMBERG: (Exhibit 8) Good afternoon. My name is Merlyn Gramberg, G-r-a-m-b-e-r-g. I am the current board chair for the Nebraska Community College Association, and I'm also on the board of governors for Western. I'm here to support LB1072. Speaking on behalf of the Nebraska Community College Association and the community college areas of Central, Mid-Plains, Northeast, Southeast, and Western, we strongly believe that tuition and fee revenue should be determined as follows: Tuition revenue should be equal to (a) the audited credit hours times the college-adopted credit hour tuition rates and (b) the audited tuition for noncredit, nonreimbursable courses. Fee revenue should be equal to (a) the audited credit hours times the college-adopted mandatory credit hour fee rates and (b) the audited other mandatory fees that all

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students pay--for example, registration fee, facility fee, student activity fee, library fee, and so on. For clarification purposes, we also believe that tuition and fee revenue for avocational and recreational community service programs and courses should not be included in the prior year revenue. These courses are normally offered for noncredit and normally are referred to as noncredit, nonreimbursable. Our suggested definition, which was included in the NCCA State Aid Enrollment Guide for fiscal year 2008-2009, is more closely aligned with the nationally recognized definitions, such as the National Center for Educational Statistics definition, which is used by the Nebraska Postsecondary Coordinating Commission for data analysis, along with the definitions observed by other states. If the Education Committee's intention is to tighten the definition of tuition and fee revenue and to avoid future manipulation of the definition by any community college area, then we strongly encourage you to consider our recommendation definition and oppose LB1034 introduced by Senator Cook. LB1034, which is, in fact, the older version of the Nebraska Community College Association State Aid Enrollment Guidelines, not only allows for general fund tuition and fee waivers, but it also allows for the option of excluding tuition and fee assessments as allocated for the restricted purpose of capital improvement expenditures. The potential effects of LB1034 go well beyond the original intent of state statutes 85-2212 and 85-2224, which define tuition and fees. If it were the original intent of the Legislature to allow the practice of shifting tuition and fee dollars from the general fund to the plant fund or other funds, then I would expect to see this verbiage in the law. It is not present. To ensure fairness to all Nebraska community colleges, I strongly encourage you to oppose LB1034 and to include the descriptive NCCA definition of tuition and fees in the written statutory language. Thank you for your time and for your careful consideration of this recommendation. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ADAMS: Thank you, Merlyn. Are there questions? Thank you, sir. Next testifier. [LB1034 LB1058 LB1082 LB1072 LR299CA]

MIKE CHIPPS: (Exhibit 9) Good afternoon. Chair Adams and members of the Education Committee, I am Mike Chipps. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ADAMS: Hold on. Excuse me a minute, Mike. What do we need? [LB1034 LB1058 LB1082 LB1072 LR299CA]

BECKI COLLINS: I need the (inaudible). [LB1034 LB1058 LB1082 LB1072 LR299CA]

MIKE CHIPPS: Oh, I'm sorry. Good grief. Shame on me. There you go, and there's the attachments. Thank you. Chair Adams and the members of the Education Committee, I'm here to testify in support of LB1072 with the modifications as suggested by the Nebraska Community College Association members that have testified previously to me. My name is Mike Chipps; I've had the privilege of serving as president of Mid-Plains Community College. And in my testimony today I am representing five of Nebraska's

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community colleges who are members of the Nebraska Community College Association: namely, Southeast, Northeast, Central, Mid-Plains, and Western. In the early stages of developing LB1072, a disincentive was included for community colleges who offered intercollegiate athletic programs. And even though that provision was eliminated, the CEOs of the NCCA wish to speak to that issue if it happens to resurface. Americans created higher education realizing that students would receive a diverse set of opportunities and experiences to serve them well as they lived out their lives. As public colleges were established, they were largely guided by state statutory provisions. And Nebraska's Legislature did likewise; they set forth statutes to guide Nebraska's community colleges towards providing technical, academic, economic development, and student support services and activities to assist students and to enhance their college experience. Nebraska's community colleges have been fulfilling the Legislature's charge since its inception, including athletics as part of providing comprehensive student support services. Even more enlightening is that a cost-benefit study of intercollegiate athletics at Mid-Plains Community College provides clear evidence that it is not only an excellent program to offer students, but it is also very cost-effective. But even more important than just being cost-effective is the lifetime positive impact on the student athlete. Not only do students wish to obtain a college degree beyond high school, but they also wish to continue the tradition of playing competitive sports. This combination not only helps with recruiting students to our colleges, it has multiple benefits for the student, such as improving graduation rates, expanding cultural and diversity experiences, broadening job placement and career development opportunities, and increasing student accountability and self-discipline. As I conclude, please note that intercollegiate athletic programs are common at community colleges across this country. Over 50,000 students in over 500 community colleges across America participate in intercollegiate athletics through the National Junior College Athletic Association. In closing, the most important aspect of community college intercollegiate athletic programs is that the student is a student first and an athlete second. This balance creates a symbiotic relationship that better enables students to prepare themselves academically, physically, socially, and emotionally so they are ready and willing to take their place in society upon graduation. When asked about the need for intercollegiate athletic programs at Nebraska community colleges, please remember that it is all about the students; it is cost-effective; there is a longstanding national tradition; and it follows time-tested state statutes. Thank you for allowing me to share this information with you. Chair Adams. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ADAMS: Thank you, Mike. Are there questions? Senator Sullivan. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR SULLIVAN: Thank you, Mr. Chipps. Probably just more for my own benefit than anything else--so right now how are intercollegiate athletic programs figured in to community college and their funding? I mean, I'm not following. Because it appeared

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from the conversations that there was going to be a disincentive to include them, so. [LB1034 LB1058 LB1082 LB1072 LR299CA]

MIKE CHIPPS: There was a disincentive that was originally proposed that we looked at. It was, like, \$406,000, if I recall correctly, for Mid-Plains in order to continue to offer intercollegiate athletic programs. And also for Western, I think it was a \$670,000 loss of revenue through the funding formula. And that was what was happening at that point. And then it was withdrawn by--I believe by Senator Adams and this committee awhile back. But we just wanted to make sure that it didn't reappear on the floor. That's why we wanted to discuss it as CEOs. That was the disincentive. Now I may not be answering your question accurately. Please. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR SULLIVAN: It helps. Thank you. [LB1034 LB1058 LB1082 LB1072 LR299CA]

MIKE CHIPPS: Okay. Thank you, ma'am. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ADAMS: Senator Avery. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR AVERY: Thank you, Mr. Chair. We're talking about community colleges that are concerned about operating funds. You're talking about intercollegiate athletics; they don't come free. You're going to be...I presume you're advocating that we include this in the funding formula because otherwise you won't be able to fund an athletic program. Wouldn't that seem to be counterproductive to what we're now dealing with, which is a fiscal crisis involving the school aid formula and disagreements about how it ought to be structured? And now you're talking about adding another factor? [LB1034 LB1058 LB1082 LB1072 LR299CA]

MIKE CHIPPS: No. What I'm asking for is not to add a factor at all. Originally... [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR AVERY: Well, then help me out. [LB1034 LB1058 LB1082 LB1072 LR299CA]

MIKE CHIPPS: Originally it was...it was in the proposed formula originally when it was proposed, and then it was withdrawn. And the only thing is, is that we wanted to come forward to say that we prefer that it does not belong in the formula and that it doesn't come to pass that it resurfaces at the floor. And that's where I was coming from. Senator Adams, is that an accurate statement? [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ADAMS: I might elaborate just a moment. I think what's throwing you off potentially is when Dr. Chipps refers to "formula." [LB1034 LB1058 LB1082 LB1072

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SENATOR AVERY: Um-hum. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ADAMS: I think the better word is "bill." When LB1072--as I was in the initial stages of drafting, I discounted for athletics. But the version--the green copy you have there, it got put back in. Maybe that helps. Are there other questions? Thank you then. [LB1034 LB1058 LB1082 LB1072 LR299CA]

MIKE CHIPPS: Thank you, Senator. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ADAMS: Next testifier. [LB1034 LB1058 LB1082 LB1072 LR299CA]

DENNIS BAACK: Senator Adams and members of the Education Committee, for the record my name is Dennis Baack, B-a-a-c-k, and I'm the executive director of the Nebraska Community College Association, here to testify in support of LB1072 and in opposition to the other bills that are before you. I'm just going to mention a few of the things that have come up in this discussion today. First of all, one of the key things that I think needs to be done is a good, solid definition of tuition and fees needs to be in statute. I think everybody needs to follow that, and I think the Coordinating Commission needs to have the authority to check those numbers and to make sure everyone is following the guidelines and stuff that they establish. And I think that needs to be done. One of the things...I'm sorry that Senator Ashford isn't here, but I was here on those same days when we were talking about putting Kearney into the university system, and I, too, supported that at the time and, too, supported making the Coordinating Commission have more authority. And I know that he was trying to make the case that we haven't made much progress in this area, and I think that's...I don't think that's true. I've been on this job for 17 years now, and I've seen an awful lot of progress made in transfer education and in working with the other sectors. Right now, a student who registers at a community college is automatically registered as a state college student, and the opposite is also true--so that students can go home over the summer, take classes at a state college or take classes at a community college and not have to reregister and not do any of those kind of things. So that is very seamless. We're now starting the on-course program with the university, which is promoting that same kind of thing, trying to make sure that that is a seamless transition between a community college and the other sectors of higher education. In regard to Senator Ashford's constitutional amendment that would create three community colleges, I think you would probably at that point have to rename them something else rather than community colleges. I don't know that you could have a community college, say, the size of the 3rd Congressional District in Nebraska and call it a community anymore. I think you'd have to redefine, maybe, what their role is and probably call them something other than community college, because I don't think that would qualify anymore as a community college. Quite frankly, Nebraska has about the fewest community colleges of any state

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in the Union. We've only got six, and most states have way more than we have here in Nebraska. So we don't have all that many to start with. I think it was stated by Dr. Schmailzl--he talked about the community colleges not being able to work together on financial issues. I can tell you that in my 17 years with the association, we've had some real knock-down, drag-outs internally within the association over the years, and we have gotten through those and did come to an agreement on those on a number of occasions. This time we haven't, but we have done it in the past. So it is doable within the association, but it just hasn't happened this time. The other things that I would mention--Walt Radcliffe mentioned the five things that he would like to see accomplished. I think those need to be accomplished, too, and I think we do need to have a better accounting of what we do for expenses and how we expend our funds. I don't disagree with that at all. And if there are factors in this state that we're not taking account of, we need to be doing that. We've always said that, that if there are differences that we need to be aware of and need to be funding for, we need to be looking at those and need to be making changes accordingly. I think one of the things that...you know, we always talk about local control and what local control means. I think local control means a couple of things. Local control means that you do have decisions over expenses that you have, decisions over who's going to run the college, those kind of things. But I think it also requires local responsibility, and I think you have to have a responsibility for the funding part of it and you have to fund your local community college, too, at a certain level. And I think the state has the right to ask them to do that: to fund it at a certain level and to have that commitment by the community that they are going to fund their local community college. The last thing I would like to say is that the five community colleges that I represent stand ready to go back to the table, go do what we've got to do to try to get some kind of resolution to the differences that we have. We're ready to do that anytime. With that, I'd be happy to answer questions. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ADAMS: Appreciate it. Are there questions for Dennis? Senator Sullivan. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR SULLIVAN: Thank you. Mr. Baack, assuming I understood you correctly, that you agreed there should be some oversight in terms of the accounting of...who do you propose would do that? [LB1034 LB1058 LB1082 LB1072 LR299CA]

DENNIS BAACK: The Coordinating Commission. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR SULLIVAN: Okay. [LB1034 LB1058 LB1082 LB1072 LR299CA]

DENNIS BAACK: I think the Coordinating Commission is the proper entity to do that and to...you know, I mean I think they have the expertise and stuff to do that. I think the LB340 study showed that they'll take it very seriously. They did an excellent job on that

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study, and we need to continue to work with them as we do this. Hopefully, we'll be able to sit down as a group and work together as we come up with the rules and regs and stuff so that they make absolute sense. But I have all the confidence in the world the Coordinating Commission can do that. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR SULLIVAN: If we leave in the provision of voluntary membership in your association, do you think that will be a problem? [LB1034 LB1058 LB1082 LB1072 LR299CA]

DENNIS BAACK: Well, right now, where the...I mean, the provision is mandatory now, but there are no consequences for it; so we have a college that's not a member of it now and there's no consequences for it. I...unless there's consequences for it, I don't know if it matters. My CEOs would say that they think it needs to be mandatory. They believe that it should be a mandatory association. And it actually came about in--I think it was 1991, is when that came into...went into statute. I actually was serving in the Legislature when it came into statute, and that was the time when Southeast Community College was lobbying outside of the association. And a senator by the name of Senator Warner got a little upset with that, and that's why it became mandatory. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR SULLIVAN: I see. Thank you. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ADAMS: Senator Avery. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR AVERY: Well, we know being mandatory doesn't mean the same thing to everybody. [LB1034 LB1058 LB1082 LB1072 LR299CA]

DENNIS BAACK: Um-hum. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR AVERY: What do you gain by making it voluntary? [LB1034 LB1058 LB1082 LB1072 LR299CA]

DENNIS BAACK: I don't think you gain anything by making it voluntary, but...because I wouldn't make it voluntary. I... [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR AVERY: Then you would have it mandatory but you would have penalties for... [LB1034 LB1058 LB1082 LB1072 LR299CA]

DENNIS BAACK: Correct. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR AVERY: Yeah. I think I agree with you. [LB1034 LB1058 LB1082 LB1072 LR299CA]

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DENNIS BAACK: Correct. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR AVERY: What about, though, your organization taking on the task that we are proposing to give to the Postsecondary Coordinating Commission here? It seems to me that, as I have said many times, we have a lot of layers of administration in higher education. You already exist for the purpose of doing some coordination of activities for the community colleges, so why couldn't we give you the task that we're giving the Coordinating Commission here? [LB1034 LB1058 LB1082 LB1072 LR299CA]

DENNIS BAACK: Well, I think one of the problems you're going to run into is I don't think you can give a private nonprofit 501(c)(4), which we are--I don't think you can, probably, give them authority to do that, because we're not a state entity; we are simply a private association. So we're not a state entity. I don't know that you can give them that kind of authority. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR AVERY: A legal case could be made that you are a state actor because you only exist for a public purpose and you serve public institutions that are funded with public money. [LB1034 LB1058 LB1082 LB1072 LR299CA]

DENNIS BAACK: That's correct. And we follow the public meetings law and do the other things. And then statute sets those out that we have to follow, and it sets out certain things that we have to do. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR AVERY: Statute does require you to have open meetings and abide by the public records law. [LB1034 LB1058 LB1082 LB1072 LR299CA]

DENNIS BAACK: Absolutely. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR AVERY: So it shouldn't be a big step, then, to have you take on some of the same responsibilities we're asking the Postsecondary Ed Coordinating Commission to do. And there may be some cost savings there, because I expect that we are going to see a pretty nice little fiscal note to add these duties to the commission. [LB1034 LB1058 LB1082 LB1072 LR299CA]

DENNIS BAACK: Well, you... [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR AVERY: You're in full support of LB1072. [LB1034 LB1058 LB1082 LB1072 LR299CA]

DENNIS BAACK: In full support of LB1072? I think there has to be some adjustments made, and some of the other people have testified to those adjustments that need to be made in LB1072. But the basic concepts and the idea of trying to make sure we get control so that we don't grow it too fast and those kind of things--yeah, we are definitely

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in agreement with those. And will there have to be other adjustments made in the future? Probably. I've never seen a formula that didn't require that. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR AVERY: But your current legal status does not forbid you from doing the kind of things that we are asking the Coordinating Commission to do? [LB1034 LB1058 LB1082 LB1072 LR299CA]

DENNIS BAACK: I don't think so, but I've never...I'm not an attorney--so I've never asked an attorney that question, so I do not know for sure. But I don't think it probably does, but I'm not positive of that, okay? [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR HOWARD: Okay, do we have any other...yes, Senator Ashford. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ASHFORD: How do you...? I mean, when we...in 1991, when we did the association or when...that's when we passed that bill--I don't think anybody at that time anticipated the kind of growth that Metro would have. I mean, the growth is significantly greater than the other institutions', is it not? [LB1034 LB1058 LB1082 LB1072 LR299CA]

DENNIS BAACK: I don't know that it is. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ASHFORD: Well, 50,000 people. And nonduplicative people are getting services from--educational services in one way or shape or form from Metro. [LB1034 LB1058 LB1082 LB1072 LR299CA]

DENNIS BAACK: Yeah. Well, you're...over across the state you're looking at about 154,000 or 155,000. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ASHFORD: Well, but that's a third of them. That's a third of all the people. [LB1034 LB1058 LB1082 LB1072 LR299CA]

DENNIS BAACK: Right. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ASHFORD: So that's, you know, that's a third; and their aid certainly doesn't reflect that they're servicing a third of the students. [LB1034 LB1058 LB1082 LB1072 LR299CA]

DENNIS BAACK: Well, but I think you have to...I mean, you can't just look at the aid piece of it. If you only look at the aid piece, you're correct. [LB1034 LB1058 LB1082 LB1072 LR299CA]

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SENATOR ASHFORD: But you have to look at it a little bit. [LB1034 LB1058 LB1082 LB1072 LR299CA]

DENNIS BAACK: You have to look at it a little bit. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ASHFORD: If you're serving a third of the students, you have to look at the aid piece to... [LB1034 LB1058 LB1082 LB1072 LR299CA]

DENNIS BAACK: And you also have to look at the tax base piece. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ASHFORD: You have to look at the tax base. But if you're servicing 50,000...what I'm getting at is that the growth at Metro far surpasses what I think anybody had ever dreamt and--15 years ago would be. [LB1034 LB1058 LB1082 LB1072 LR299CA]

DENNIS BAACK: That's very possible. I don't know what the idea was about growth, you know, 15 years ago. But that's very possible. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ASHFORD: What did the association do to help Metro address their growth? [LB1034 LB1058 LB1082 LB1072 LR299CA]

DENNIS BAACK: I think we tried to include factors in the formula and stuff that address growth. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ASHFORD: Which ones? Which factors? [LB1034 LB1058 LB1082 LB1072 LR299CA]

DENNIS BAACK: Well, there's some factors with the...where they get to use...there's a growth factor in there that you get to count the 3 percent growth plus your FTE growth, and that's certainly... [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ASHFORD: FTE growth is a very small percentage of the overall formula. I mean, I don't know if exact percentage enters into the...what I'm getting at is, what I would suggest, maybe, is that part of the problem we're having here today, after four years, is that Metro is experiencing significant growth. It sounds...Randy Schmailzl suggested that about 30 percent of those students are vocational-technical students and the rest are varying degrees of other kinds of students. What is it that the association has done in the last three years to address their needs, their concerns? All I see is their state aid went from \$30 million to \$20 million or from \$29 million to \$18 million. And they're the fastest-, by far the fastest-growing institution, so it doesn't

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sound...I mean, in fairness...and I'm not...and maybe it's just that they agreed to something they shouldn't have agreed to. But in a sense I'm a little tired of hearing that, to be honest--not from you--but I'm a little tired of hearing the point that Metro was asleep at the switch and therefore they lost \$10 million in their state aid. Because if an association was working together to try to fulfill the needs of an institution--Metro is fulfilling the needs of the community in Omaha and in the area, in the five counties or whatever they serve, that those students are pouring into Metro. And I don't see anything that the association has done in any way, shape, or form to address those needs--not one single thing. I mean...and if there is one single thing they've done, then I'd like to know what it is. [LB1034 LB1058 LB1082 LB1072 LR299CA]

DENNIS BAACK: Well, I think there are some factors built into the formula with growth and stuff that do help. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ASHFORD: There are some factors. But if you look at the state aid...and granted, equalization plays a role, but if you look at the state aid formula going out five years, Metro still lags. So I think in order to bring Metro...or ask, as a state senator representing the Metro area, to say: You ought to be in the association. And they look at me and say: Why would we ever do that? We have 50,000 nonduplicative students. We have growth. People are beating at our door to get in. We have campuses in Fremont, Elkhorn, south Omaha, and north Omaha, and they all want to come to our school. And the tuition...and this was something that I...the tuition that's charged by Metro is about the same tuition as everybody else charges, so it's not as if they're coming in and undercutting everyone. [LB1034 LB1058 LB1082 LB1072 LR299CA]

DENNIS BAACK: No, it's not that much lower. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ASHFORD: So it isn't that the other community colleges are not doing good service. They are. The question is: Where has the association addressed the needs of Metro specifically? And you're telling me it's in the formula already. [LB1034 LB1058 LB1082 LB1072 LR299CA]

DENNIS BAACK: I think it is, because you cannot just look at the state aid portion of it. I think you have to look at their access to total resources. They have the access to many more resources than a Southeast or anyone has--a huge amount of access to it. Now whether or not they take advantage of that access is a decision that that local board has to make. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ASHFORD: But you get a situation for Southeast--and I'm not picking on Southeast--but their tax levy went down below 7 cents and Metro's went above 8--8.5 cents. To me, if I was a member of that association, I'd say: Why would I ever be a member of this association? Because if we are going to look at equalization, we

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would...you know, yes, equalization is a part of it, but you also have to look at that huge swing. Any kind of formula that creates that kind of a situation where you have that kind of swing of \$10 million, to me, I would say--and again this is not a personal criticism, because I think the other campuses are doing what they believe they need to do--but I don't see where Metro's needs are being addressed. [LB1034 LB1058 LB1082 LB1072 LR299CA]

DENNIS BAACK: Well, I think they are if you look at the basis of total resources that they have available to them. And, quite frankly, I think... [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ASHFORD: So they should tax at 8.5...they should tax their taxpayers? [LB1034 LB1058 LB1082 LB1072 LR299CA]

DENNIS BAACK: We talked the other day about a way of fixing that, and I gave you a solution. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ASHFORD: What was it? [LB1034 LB1058 LB1082 LB1072 LR299CA]

DENNIS BAACK: You put Sarpy County with Southeast Community College. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ASHFORD: Well, then you're losing a resource. I don't think...I don't think...no, no, no, Dennis. [LB1034 LB1058 LB1082 LB1072 LR299CA]

DENNIS BAACK: Yeah, I know. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ASHFORD: Now here's the deal. Nobody else--no one else is volunteering to give up some of their land or take in some of their land. That's, you know...that is...the issue is, in my view...there's a solution out there, and you said it. You said you still want to continue to work for a solution, which I think is a very positive step on your part, to make that offer. What I'm suggesting is, the way it is now--and if we wait a year or two years, it's going to continue to get worse--that association system is not addressing the needs of Metro as it is, so. And it can't be that big a shift. Nobody would...I mean, we don't do that in anything else. We don't...you know, I can't recall...I mean, if somebody else got their aid cut by a third, you know, in any other agency of state government, I think they would be screaming and yelling too. Anyway, thanks. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ADAMS: Other questions? Thank you, Dennis. [LB1034 LB1058 LB1082 LB1072 LR299CA]

DENNIS BAACK: You bet. [LB1034 LB1058 LB1082 LB1072 LR299CA]

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SENATOR ADAMS: And that is the time...that's 25--more than 25 minutes. So now we will go to the Metro side for 25 minutes. [LB1034 LB1058 LB1082 LB1072 LR299CA]

DAVE NEWELL: Mr. Chairman, members of the committee, my name is Dave Newell from Omaha, part of the Metro board of governors. I want to show you a little something here that sort of graphically explains what's going on in the world. This is called, as we used to say, the...let me get my little...this is a variation on the shell game, folks. You know, the shell game. That's equalization and that's the shell, okay? Now, this is not as complicated as you think, it really isn't, because I can't do the sleight of hand; I'm kind of clumsy. But watch this. I move that around. I move this up, back, and around. Made lots of noise. Put it back here. And I bet you that you all think that the shell is under this. And you're right; you're right. But here's the problem: That's what you're focusing on. Focus on property tax relief or the LER. That's where the money is. See the money? It's folded up little so it wouldn't be real obvious. And that says education. You know, folks, that's what you ought to be focusing on. You ought to be focusing on equalization of revenues, monies to educate students, and student outcomes. Who educates the student--that's what it ought to be. Now it used to be a variation of that in the olden days. And by the way, I've listened to people talk about how Metro was the one man out. Let me remind you of this little story. Here's the story that you've got to remember. The Community College Association four years ago basically said that Western had gotten a couple of bumps to their base. Remember that? If you understood the whole formula--and I ain't got time to explain it to you because you'll just shake your head and be confused. But the bottom line is they had to cut a couple of bumps because they asked for them and the rest of us never opposed it. And then on a 5-1 vote the association said: We're going to take it away--take one of those bumps away. That was a bill that was introduced by the association. The committee then, in its wisdom...I served on this committee, and I know things are tough here and complicated and our leaders sometimes focus on the shell, not where the money and the education is. But what happened was, is that this committee decided not to do what the NCCA wanted. They decided to rewrite the formula, and they said, you know, TEEOSA works for K-12, and if it's good enough for them, it's good enough for the rest of us. Well, here's the fault with that. There's a simple fault. You know, the difference between K-12 is, is those students don't go anywhere. Now they may opt out and go to another school next door, but they can't go 50, 100, 1,000 miles away. But community college students can. They've got lots of choices. They can go to the university; they can go to Creighton. They can go all over the world if they want to. Or they can go to UNO or Lincoln. The bottom line is, that whole basis has nothing to do with anything. You sort of mixed apples and oranges here. Now, even more importantly than that, let me tell you one more thing that is really critical. I heard today about 1979 we made this deal, the first time foundation aid got into the funding formula. Now I made that deal. I was part of that deal. I want you to know how that worked. At the time, Metro Community College, newly created, was not allowed to offer academic transfer programs--just could not do it.

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Vocational only, okay? And we just started up that whole process. So we had people at Western, the same people who have been around Western a long time and now in the Legislature. Those people came in and said: Well, you know, we need foundation; we need a little money because we have to open up the doors, and we need...so we cut a deal. And the deal was that 20 percent of the foundation aid--20 percent of the state aid...not all revenues is what you've got now, by the way, which really kills us--goes to equalize the differences between the size of schools and so forth. Well, actually, I'd go back to that deal in a heartbeat. If you want the deal of REUs and 20 percent of the state aid is foundation aid, that's a deal I think I could sell to our board. Now you'd be taking a lot of money away from those rural schools, because right now you're compensating them for property tax relief. But, you know, folks, I own a farm; I come from a farm family. I want you to know that the truth of the matter is I think farmers are overtaxed. But you can't use the LER and levies when you don't factor in the fact that personal property has been taken (inaudible), personal property on inventories and equipment. You know, feed, seed, and fertilizer, farm values at 75 percent. You can't...you know, if those factors--that mathematical factor is so darned important, then put all the value back on. It's not that important. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ADAMS: You need to summarize, Senator. [LB1034 LB1058 LB1082 LB1072 LR299CA]

DAVE NEWELL: Fine. Well, like I said, I wasn't going to get very far in five minutes. Anyhow, I want to say this, that we have a lot of choice that says that when...before we did this TEEOSA thing, the formula was this: Western and Mid-Plains and those other schools got 2.5 times as much state aid as we got. Now they get 3.5 times. I've got to tell you, maybe our students are poorer or needier or whatever, but the equity there is not the same kind of equity we're talking here. You're talking about equity of property tax. I'm talking about equity of educational opportunities. I'll be glad to answer questions. I hope you ask some, because there's a lot more I have to say. That's not a challenge; that's a request. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ADAMS: Questions for this testifier? Seemingly not. [LB1034 LB1058 LB1082 LB1072 LR299CA]

DAVE NEWELL: You know, I scare them off all the time, unfortunately. But thank you very much for your opportunity to speak here. I hope you fix what is a bad formula. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ADAMS: Next testifier. [LB1034 LB1058 LB1082 LB1072 LR299CA]

BEN GRAY: Chairman Adams and members of the committee, my name is Ben Gray. When I was asked to determine--or asked what organization I represent, in terms of this

conversation, there are probably three that I could represent that all have some sort of connection--and it's a significant connection--to Metro Community College. As a city councilman, we are connected to Metro Community College. As the chairman of the African American Achievement Council for the Omaha Public Schools, we have a strong connection. And as the emergency team director for an organization called Impact One, which is a gang intervention organization, we have strong connections to Metro Community College. It was mentioned earlier that if we are going...if...the community colleges in this state need to step up and have stronger alliances with K-12 education. I would expand that, though, Chairman Adams, and say that they need to have strong connections with members of the community and community groups as well. And to that extent, Metro Community College has done that extremely well. Let me speak for a minute as a member of the city council in Omaha and talk about one of the things that is very critical to our community. We're looking at Workforce Development--Workforce Development--and we're looking at it from the perspective of creating a nonprofit organization with Workforce Development, because with Workforce Development the federal tax dollars that we get are extremely limited in terms of things we can do to address the significant issues that we face in Omaha and, more specifically, northeast and southeast Omaha. And to that extent, we have created a five-member task force. We recently increased that number to seven because we felt it was significantly important to have not only the Building Bright Futures Foundation but Metro Community College on that task force, because we're going to rely on them heavily in terms of training for individuals that either left school or did not--or are still in school but still need some significant help and those who are gang members and others who have taken a wrong path and now are trying to right themselves. So with Workforce Development, one of the things that we're looking at, again, is expanding the dollars to that program. But when we expand those dollars, we're looking to Metro to help train a work force that needs to be trained. As chairman of the African American Achievement Council, we have a dual credit program called Bridge to Success. In that Bridge to Success program we have graduated nearly 200 students from high school, the high schools in the Omaha Public Schools. Those 200 students have dual credit courses that they have taken at Metro Community College. We have a number of students who have graduated who, when they--and they are transferable credits--we have individuals that have graduated and currently some of them have a year under their belt in terms of college, some have two years, some have...you know, and so on. But we've got a strong alliance through the African American Achievement Council with them. In addition to that, I think it needs to be taken into consideration--and it was mentioned earlier by Senator Ashford, but I don't think it can be understated (sic), and that is that we have significant issues, especially in northeast Omaha. As the paper pointed out and--as the paper pointed out a couple of years ago, we have one of the poorest communities, not only in the state but in the country. We have one of the most violent communities, not only in the state but in the country. But we have significant organizations that are attempting to address that--among them, the organization that I just mentioned, Impact One, which has started programs to retrain individuals--but not only retrain them, but you have to

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recognize that in certain instances life skills training are some of the things that have to be put in place before we can begin the process--as, Senator Howard, as you've talked about--of general education. We have to have life skills training. And so we have partners...Impact One and the Empowerment Network have partnered with Metro Community College to address the issues of life skills training. We've developed a program for that. We have graduated some 45 students from that program, who have since gone back to Metropolitan Community College to further their education and get their GEDs, whatever the case may be. Those are significant areas that we have to address. We cannot underestimate (sic) or understate (sic) the importance of poverty that exists in our community. We are one of the most poverty-stricken areas, not only in the state but in the country. And in order to address those, we see Metropolitan Community College as a key partner in that. And I didn't mention it earlier, but I'm here in support of LB1034, LB1058, and LB1082. I see those as critical pieces in helping us continue our effort to address the needs in a community that is significantly suffering with poverty, with gang intervention, with drugs and so forth, in our community. We have to do something to get a handle on that. This goes a long way, in my opinion, towards addressing that. And I'm in support of those three bills. With that, I will answer any questions that you all might have. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ADAMS: Thank you, sir. Are there questions for Mr. Gray? Anyone? Brad, did you have a question? [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ASHFORD: No, that's fine. He's...Ben knows a lot better than most anybody I know about those issues, so I can't add anything. [LB1034 LB1058 LB1082 LB1072 LR299CA]

BEN GRAY: Thank you, sir. Thank you. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ADAMS: Thank you, Mr. Gray. [LB1034 LB1058 LB1082 LB1072 LR299CA]

BEN GRAY: Thank you all. Appreciate it. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ADAMS: Next testifier. [LB1034 LB1058 LB1082 LB1072 LR299CA]

JIM GROTRIAN: (Exhibit 10) Good afternoon, Chairman Adams. I know we've been here a long time, so I'll do the best I can to respect your time. But my name is Jim Grotrian, spelled G-r-o-t-r-i-a-n. I'm the executive vice president at Metropolitan Community College and am testifying today in opposition of LB1072, in support of LB1034, LB1058, LB1082, and we're neutral on LR299CA. It is my pleasure to be before you in this capacity on behalf of Metropolitan Community College. I'm fortunate to represent such an important postsecondary institution that now serves more than 17,000 students quarterly from the greater Omaha area, as you've heard before. I proudly accept the responsibility our students and my colleagues have bestowed on me

to make sure I do everything within my power that our students have the necessary resources to obtain their educational and professional goals--a virtue I learned early in my professional career that actually started in this building. And during my career I've also had the opportunity to represent business, education, and shape public policy, which gives me a unique perspective to issues such as this. With that in mind and focusing on our opposition of LB1072, I want to highlight what we believe are some elements of this bill that are major barriers and why they are obstacles to us in making all of our resources available to the students and staff who need them most. This bill not only continues most of the serious problems with the current formula, but it further reduces the ability of local boards to maximize access needed in providing services in an efficient manner. For example, tuition and fees are not adequately defined. We believe tuition and fees has a long-established meaning in the context of state aid, so why doesn't this bill use what is well understood and what we believe is consistent with past practices? If the intent is to include all funds, this would include non-state-aided operations and capital improvement revenues. This would further erode the local control of local resources. Additionally, if the intent is to gross up tuition and fees for any financial aid waivers, this would encourage lowering tuition and fee rates versus providing waivers to those in need. This will reduce student access and again reduce local control of local resources. It increases foundation need from 18 percent to 20 percent of formula base revenue. The 18 percent amount was already arbitrary and unexplained, in our opinion. And this change would take more state aid away from Metro. It continues the current formula's technical flaw of allocating prior year tuition and fees among the colleges based on three-year-average REUs in determining need--a mismatch that penalizes growing colleges. And then, to make matters worse, it calculates tuition and fee amounts for each college on a different unit to determine available resources--which is prior year FTE, and again a mismatch that penalizes growing colleges and colleges with a higher percentage of FTEs than REUs. It reduces base growth factor from 3 percent to 1 percent. This base reduction combined with allowing formula needs to be increased by only 25 percent instead of 100 percent of the total percent of three-year-average FTE student growth will significantly erode the choices and access to resources. An example of that would be if the college has a 6 percent three-year-average FTE growth, need increases only 1.5 percent for this growth. It gives state agencies authority to make up rules to carry out the act, presumable even retroactively, as if this authority is the way to prevent conflict. We know how that's worked so far, given the response of the CCPE in 2009, especially in light of the fact that CCPE had the responsibility to collect data necessary to ensure compliance with the funding statute in 2007. So why is more state agency authority being proposed as a solution? It's our opinion that significant disputes about statutory intent should probably always come back to the Legislature. These are some major elements in LB1072 we oppose and why we believe the current formula for community colleges is difficult to patch and tweak for a current or sustainable long-term solution. We respect the task the Legislature has, though, in making difficult decisions on how best to distribute the state's resources. We also have a responsibility to our local

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community to be responsible stewards of their resources. We must have a state aid formula that recognizes the needs of our students and citizens. It also means we should be allowed to have the control of how we use those resources for which we are responsible without the state penalizing or rewarding any of the community colleges for those decisions. In closing, what does this all mean? One, as a business, we should be able to set a price for our product and services without state aid penalty or reward. Two, as a community-based, open-admissions institution, we shouldn't have disincentives for trying to meet the community's needs, which you've heard a lot about today. Three, as a local unit of government, governed by locally elected officials, we cannot support policies that erode our local control and gives us less when we're being asked to do more. And four, in summary, the current funding formula is flawed public policy, and LB1072 makes it worse. We also think it's bad for business and doesn't move community college education in the right direction. Thank you, and I will be glad to answer any questions. And I would like to say one thing. President Schmailzl said earlier somebody will be following him to answer the question that Senator Ashford had, related to the percentage of property tax, state aid, and tuition. I'd like to get those into the record so we can get that question answered for this committee. And that would be: In 2009 and 2010 our percent of property tax revenue for the budget that year was 54 percent, state aid was 24 percent, and tuition and fees made up 20 percent of our overall budget. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ADAMS: All right. Are there questions? Anyone? That's it, then. Thank you. [LB1034 LB1058 LB1082 LB1072 LR299CA]

JIM GROTRIAN: Thank you. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ADAMS: Next testifier. [LB1034 LB1058 LB1082 LB1072 LR299CA]

ANDY BRADLEY: (Exhibit 11) Good afternoon, Senator Adams, members of the Education Committee. My name is Andy Bradley, A-n-d-y B-r-a-d-l-e-y. I'm the executive vice president for Goodwill Industries in eastern Nebraska, and I'm here primarily to support LB1082. Goodwill is a private, not-for-profit employment, training, and education agency. We're supported, as you know, in large measure by the sale of donated goods at our retail outlets. The people we educate and train include youth and adults with disabilities, at-risk inner-city youth, impoverished and undereducated and often unemployed adults, many of whom live in the state's most disadvantaged neighborhoods in north and northeast Omaha. Over the years, Goodwill has teamed with Metro on a number of projects to improve educational opportunities for our most disadvantaged citizens. For as long as I can remember, we have partnered on programs such as computer education, remedial education, technical training for persons on welfare. Today, Goodwill manages the state of Nebraska's youth employment services program for the counties of Douglas and Sarpy. And most of those participants are skill deficient. Many of them are referred to Metro Community

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College for remedial, developmental, or technical education. And that's why we feel that these services really need to be a part of the overall funding formula for Metro. Most recently, Metro and Goodwill have partnered in the Omaha Workforce Collaborative. This has been a Chamber of Commerce- and employer-driven initiative to train low-income residents from north Omaha for good-paying jobs in the financial and insurance industries. But many of these participants have required remedial and developmental services before they were able to complete the training provided by Metro. So the need for adult and developmental and, really, general education opportunities in Omaha is very, very great, as you've been hearing today. But a few of the facts to illustrate this: Nearly one out of four residents in north Omaha lives in poverty. Now, that's a poverty rate of 2.5 times the rest of the state. Among the 100,000 residents in the northeast quarter of Omaha, one in ten right now is unemployed. And that's an unemployment rate of more than double the rest of the state. And of those who are working, the percentage of the working poor in north Omaha--the percentage is nearly double that of the rest of the state. Poverty is especially acute among minority north Omaha residents. The Omaha metropolitan area, as you heard from Mr. Gray, is home to one of the poorest black communities that you'll find anywhere in America. Among the 100 largest metro areas in the United States, according to the Census Bureau, Omaha has the third-highest black poverty rate, and that rate is 42 percent. Many people live in poverty due to the lack of basic skills, the lack of education. And as we all know, the more education a person can attain, the greater their income is going to be. And most significantly, north Omaha residents who have had some college, including a two-year degree, have an unemployment rate that's three times lower than those with only a high school diploma. The unemployment rate among north Omaha residents with some college or an associate's degree drops from nearly 12 percent to 3.5 percent. Only education can lift individuals out of poverty and help them on their way towards self-sufficiency. An educated populace really means fewer of our state tax dollars will go to welfare payments, to Medicaid, and childcare subsidies. And as we witness the abundant and deepening need, the sense of growing despair in our community, we also recognize the tremendous source and force for community revitalization, personal hope, and personal transformation represented by Metropolitan Community College. So today Goodwill urges you to ensure that this community college, the college that serves these areas of highest poverty, receives the fair resources it desperately needs. Thank you for your time today, and I'd be happy to answer any questions. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ADAMS: All right. Are there questions for this testifier? Seemingly not. Thank you, sir. That brings us to the end of that 25-minute stretch. At this point I would entertain neutral testimony. [LB1034 LB1058 LB1082 LB1072 LR299CA]

MARSHALL HILL: (Exhibit 12) Good afternoon, members of the committee. My name is Marshall Hill, executive director of the Coordinating Commission for Postsecondary Education. As Senator Adams asked, I'll indicate that we're testifying today as a

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proponent for LB1072, opponent to LB1034, LB1058, and LB1082, and neutral on LR299CA. Before I get to my prepared remarks, I'd like to respond to just a couple of questions that I...or a number of questions that I heard asked during the previous testimony. Almost every single question that you asked that you related to data or percentages or what have you offered by the community colleges is answered in our LB340 report--in particular, the question about who does how much of what. That's summarized in a nice chart on page 24. Secondly, I'd like to mention one of the results of our study. Foundations education--which, Senator Sullivan, in that context means remedial education--accounts for a significant percentage of what our community colleges do. That's not unusual in the United States. It's an overwhelming problem. Our cost study indicates that it's one of the least-expensive things that colleges do. The data from the colleges themselves show that all of them are spending relatively little on that in comparison to how much they're spending on other types of programs. As a group, that's the third-cheapest program in this state. As you know, the Coordinating Commission recently spent six months--it was a long six months--studying community college issues. And the results and recommendations of that study are in our LB340 report. Our focus has always been on what is best for students. We work with all colleges. We will continue to work with all colleges regardless of what you choose to do here and the way you choose to move forward. We do that because community colleges are very important. We make a strong case for the need for community colleges in our LB340 report. Senator Ashford mentioned many things have changed over the past 15 years, not just in Nebraska. I'd suggest that none of the change that we have experienced here is in any way particularly unusual. Our community colleges mirror the national picture. They're growing wildly. They're doing far more things than they used to do, and it's all important work. It's clear that they need to continue to play that role here in Nebraska. We cannot turn back the clock and expect a different outcome. Our study has led us to the following general conclusions. These will sound somewhat "motherhood and apple pie," but they're heartfelt and reached after a lot of thought. Nebraska citizens throughout the state--throughout the state--need and deserve access to community college services. State funding should help support that access. That funding should come, as it does now, from three sources: tuition and fees; local property taxes; and, to the extent needed to provide adequate services, state aid. We firmly believe that calculations of state aid should take into account a number of things: available local resources of the college, the opportunity for economies of scale at larger institutions, and the actual costs of providing services--the actual costs of providing services. To base a significant, large portion only on FTEs ignores the effect that differential costs have on students, and it could lead to unintended consequences. Next, data used in the formula should be explicitly defined by the Legislature, collected and used in ways that absolutely ensure integrity. If the funding formula is to use tuition and fees, clear definitions of those terms must be provided. As we point out in our study, we believe that coordination functions should be carried out by a state entity, not by a private association of the colleges themselves--which may do any number of very good things and has--but actual coordination functions should be the province of the

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state agency. Senator Avery asked if NCCA could carry out those functions. I guess I would have two responses: One, we don't see a demonstrated record of success, or we wouldn't be in this issue; second, NCCA has two staff--two staff members: Dennis and one (inaudible). Lastly, if you don't provide for some entity to do some coordination services in addition to what we now do, we believe that you, in effect, will be assuming those responsibilities yourself and you'll be doing these things over and over and over. I'd respond to any questions you may have. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ADAMS: Thank you, Marshall. Are there questions? Senator Sullivan. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR SULLIVAN: Yes, Mr. Hill. You mentioned that providing remedial education is the cheapest? [LB1034 LB1058 LB1082 LB1072 LR299CA]

MARSHALL HILL: We went through a cost study with the colleges and universities, asking them to determine what they spent offering different types of programs. And then we ranked those programs from the most-expensive programs to the least-expensive programs. And statewide, the third-least-expensive program is remedial education. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR SULLIVAN: And then do you have access to data that shows how much of what community colleges do is remedial? [LB1034 LB1058 LB1082 LB1072 LR299CA]

MARSHALL HILL: Yes. If you will look on page 24 of this report--in this one it is expressed as a percentage of their total FTEs--percentage of their total FTEs. Mid-Plains does 2.4 percent of its total FTEs; Western does 3.8 percent; Northeast, 3.1 percent; Central, 3.4 percent; Southeast, 4.4 percent; and Metropolitan, 10.4 percent. It is true that Metropolitan does a larger percentage of what it does in foundations education than any other college. I would expect that, frankly. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR SULLIVAN: Thank you. [LB1034 LB1058 LB1082 LB1072 LR299CA]

MARSHALL HILL: You're welcome. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ADAMS: Other questions for Marshall? Thank you, sir. Welcome. [LB1034 LB1058 LB1082 LB1072 LR299CA]

DAN MAUK: Chairman Adams and members of the committee, my name is Dan Mauk. The name is spelled D-a-n M-a-u-k. I work for the North Platte Area Chamber and Development Corporation. I'm here to testify in support of LB1072 and against the balance of the bills before you today and including LR299CA. One of my

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responsibilities, in addition to managing the Chamber in North Platte, is to do economic development for the city of North Platte and for the--Lincoln County as a whole. I work in concert with Dr. Chipps and the faculty and staff at Mid-Plains to provide training opportunities for companies that choose to expand or locate in our region. I'm relatively new in North Platte, moving there in March of this last year. Prior to that I was in Norfolk and was the Chamber manager in Norfolk for a long time and worked with Northeast Community College there. And so I have a larger body of experience in working with the community college system. The reason I made the relatively long drive today is I'm concerned. I have certainly a very difficult decision, funding and equitable funding. It seems to be elusive at many levels of government, and I'm sure the decision will weigh heavily on you. But I'm concerned that we consider geography as well when we're trying to fund the community college system in Nebraska. If you...in northeast Nebraska, if you went from the furthest east--we'd be in your neighborhood, Senator--and you'd drive three hours to get to the western border of the Northeast Community College district. In Mid-Plains, we go from the Kansas border to the South Dakota border, so there's very large areas there to serve. It is very important in rural Nebraska to be able to provide the training that community colleges can provide, and it's essential to our sustainability. We're certainly competing with the Metro area's large growth. There is probably not room, though, in Douglas and Sarpy County for all of us. We need to try to sustain the rest of the state. And having some fairness to ensure sustainability for the community college system as it stands across the state is really key to our success in greater Nebraska. I would close for any questions you might have. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ADAMS: All right. Thank you, sir. Are there questions? Seeing none, thank you for your trip here today. [LB1034 LB1058 LB1082 LB1072 LR299CA]

KEN MAUK: Thank you. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ADAMS: Next testifier. Any other testimony? [LB1034 LB1058 LB1082 LB1072 LR299CA]

CRYSTAL RHOADES: My name is Crystal Rhoades, R-h-o-a-d-e-s, and I am testifying on behalf of the Metro Community College board. I am the board chair. I was asked to really discuss with you today need and what need means to us and whether or not it has been effectively met. I'm going to give you a few numbers here that I think really help explain our need. Right now, currently in the last quarter, 8,113 of our enrolled students received Pell Grants. We had over 1,048 applications to our community foundation for scholarship needs, most of which went unmet because there were not enough funds available to go around. Now it's important to understand what that really means, because the students who are applying for these need-based scholarships and that are applying for the Pell Grants are oftentimes low income, many of them have children, many of them are single parents. And Metro is really the best opportunity for

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them to receive continuing education. Ninety-six percent of our students come from our four-county area. And of the students that attend Metro and that matriculate, 97 percent of those students stay in the Omaha area and work, which means that we are producing more graduates and educated eligible employees to our area than any of the other colleges or university, largely due to brain drain. Now it's also important to understand how much of this we're doing is related to the developmental education. As many as 10,000 of our students in the last quarter needed some type of developmental education. Roughly 21.9 percent of our students needed some type of additional help. Now that's important to understand in terms of need, because it's not just the coursework that they need. They need additional retention programs, they need tutors, they need additional advising. They also oftentimes need cohorts so that they have other students that they can help--rely upon to help get them through their education. So when we're talking about need, we're not just simply talking about whether or not we have enough money to open our doors. We also are talking about how are we going to educate these students and what are we going to do to ensure that they're successful. And that's a big part of the problem, as we see it, with the current formula--is that it doesn't address the needs of those students. It doesn't address the needs of students who need developmental education. But it also doesn't address the needs of this large population of students who are low income and who would otherwise not be able to attain an affordable education. Now a lot has been talked about our growth and whether or not that's reasonable and whether or not we should be growing at the rate that we're growing at. But the fact is, we are growing at that rate. And it's important, because it is our students that are graduating and working for employers in our local area. Now the best way out of poverty, of course, is education. Everyone can agree that education helps to insulate people from the effects of poverty. They are able to get better jobs, better housing, better health insurance. All of those issues are mitigated by allowing these students to get an education. So when we talk about access and we talk about our growth, it's important to understand that we need to grow as quickly as the community demands that we need to grow. And being in a recession, we need to be able to provide those resources to students. The formula as it stands really does not reward growth. It really...it's capped at somewhere between 3 and 6 percent, depending on how you're calculating your FTEs. And that is nowhere near adequate for Metro and what we're seeing in terms of the surge in people seeking education. We have had growth of 6.7 percent in '08; in the fall of '09 and '10, 17 percent; in the winter, 25.6. In the spring quarter we're expecting 34.6 percent growth. That's substantial. And right now we are doing the best that we can to meet that. But the reality is that if people are seeking education, it is our job to provide access. It is our job, just in the same way that it is the other schools' job to provide access. And we ought not be closing our doors and turning people away because we don't have enough money to educate them. With that, I will entertain any questions that you might have. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ADAMS: Thank you, Crystal. Are there any questions? If not, thank you.

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[LB1034 LB1058 LB1082 LB1072 LR299CA]

CRYSTAL RHOADES: Thank you. [LB1034 LB1058 LB1082 LB1072 LR299CA]

SENATOR ADAMS: (See also Exhibit 13) And unless there is someone in a neutral capacity or on either side of these bills that is not part of the Metro group or the Community College Association group--is there anyone in those capacities? If not, then we end the hearings for today. [LB1034 LB1058 LB1082 LB1072 LR299CA]